



Statement of Accounts 2010/11

(Subject to Audit)

Incorporating the Annual Governance Statement

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Foreword

1. Introduction

This foreword provides a brief explanation of the financial aspects of the Council's activities, and draws attention to the Council's financial position and performance for the financial year 2010-11.

Final accounts for the Council for the year ended 31st March 2011, and explanatory notes, are included on pages 28 to 103.

2. Accounting Statements

The Statement of Accounts has been produced in accordance with The Code of Practice on Local Authority Accounting in the United Kingdom (The Code). The Code specifies that the following statements must be produced:

The [Statement of Responsibilities](#) sets out the respective responsibilities of the Council, the Audit and Governance Committee, the Director of Resources, and Auditor.

The Annual Governance Statement accompanies the accounts and has been signed by the Chief Executive and Leader of the Council, after being approved by the Audit and Governance Committee, and explains the arrangements the Council has put in place for Corporate Governance, which underpins the wider management of the Council's corporate governance arrangements.

The [Statement of Accounting Policies](#) explains the basis of the figures and estimation techniques in the accounts.

The [Movement in Reserves Statement](#) shows the movement in year on the different reserves held by the Council, analysed into general reserves (those that can be applied to fund expenditure or reduce local taxation) and other reserves. The surplus or deficit on the provision of services line shows the true economic cost of providing the Council's services, further details of which are shown in the Comprehensive Income and Expenditure Statement. These are different to the statutory amounts chargeable to the General Fund balance and the Housing Revenue Account for Council Tax and Dwellings Rent setting purposes. The 'Net increase/decrease before transfers to earmarked reserves' line shows the statutory General Fund balance and Housing Revenue Account balance before any discretionary transfers to or from the earmarked reserves.

The [Comprehensive Income and Expenditure Statement](#) shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The Council raises taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

The [Balance Sheet](#) shows the value of the Council's assets and liabilities as at 31st March. The net assets (assets less liabilities) are matched by the reserves held by

the Council; reserves fall into two categories - general and unusable. General reserves can be utilised by the Council to provide services, subject to the need to provide a prudent minimum level of reserves, and any statutory or other restrictions upon their use. Unusable reserves cannot be used to fund service provision, this category of reserves includes those that hold unrealised gains (the Revaluation Reserve), where the amount would only be realised once an asset is sold; and reserves that hold timing differences shown in the Movements in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

The [Cashflow Statement](#) summarises the changes in cash and cash equivalents during the reporting period. The Statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery.

The [Housing Revenue Account \(HRA\)](#) records the Council's statutory obligation to account separately for the costs of its role as a housing landlord, as defined in Schedule 4 of the Local Government and Housing Act 1989 and in accordance with the HRA (Accounting Practices) Directions 2011. It shows the major elements of housing revenue expenditure: maintenance, administration, housing subsidy and capital financing costs and how these are met by rents and other income.

[Collection Fund](#) - There is a statutory requirement to maintain a Collection Fund and keep its activities separate from those of other Council transactions. The fund shows the transactions (on an accruals basis) of the Council as a billing authority in relation to Non-Domestic Rates and the Council Tax and illustrates the way in which they have been distributed to Precepting authorities and the Comprehensive Income and Expenditure Account. The fund receives payments from Council Tax payers and Business Rate payers. Business Rates are paid into the national pool, from which the Council draws a precept to help meet its General Fund expenditure. Thames Valley Police Authority and the Royal Berkshire Fire and Rescue Service precept on the Council Tax element of the Collection Fund to fund their activities.

The [Group Accounts](#) provides a Comprehensive Income and Expenditure Account, Group Balance Sheet, movement of reserves statement and cash flow statement for the Council and its subsidiaries: Reading Economic Development Company, Queens Road Car Park Company, Acre Road Industrial Estate, and Reading Transport Limited.

3. Financial Performance

i. Performance of the Council as a whole (segmental reporting)

The split below between directorates reflects the Council's internal management structure. It reconciles to the Net Cost of Services shown in the Comprehensive Income and Expenditure Statement (page 29), comparative figures for 2009/10 are also provided

For the year ended 31 March 2011
Service Information

	Environment, Culture and Sport £ '000	Education and Childrens Services £ '000	Corporate Resources £ '000	Housing and Community Care £ '000	General Fund Subtotal £ '000	HRA £ '000	Total £ '000
Total Income	(48,900)	(122,858)	(79,011)	(29,630)	(280,399)	(32,654)	(313,053)
Employee expenses	25,320	92,632	16,205	24,161	158,318	3,530	161,848
Other operating expenses	49,953	57,943	80,779	55,230	243,905	26,252	270,157
Total operating expenses	75,273	150,575	96,984	79,391	402,223	29,782	432,005
Net Cost of Services	26,373	27,717	17,973	49,761	121,824	(2,872)	118,952

Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement

Cost of Services in Service Analysis	£ '000
Add amounts not reported in Directorate budget monitoring	118,952
	81,307
Net Cost of Services in Comprehensive Income and Expenditure Statement	200,259

Reconciliation to Subjective Analysis
(Single Entity)

	Service Analysis £ '000	Not reported in budget monitoring £ '000	Net Cost of Services £ '000	Corporate Amounts £ '000	Total £ '000
Services income	(313,053)		(313,053)		(313,053)
Interest and investment income			0	(1,981)	(1,981)
Income from council tax			0	(68,174)	(68,174)
Government grants and contributions		(4,169)	(4,169)	(87,365)	(91,534)
Other income		(271)	(271)		(271)
Transfers from reserves and balances		(1,209)	(1,209)		(1,209)
Total Income	(313,053)	(5,649)	(318,702)	(157,520)	(476,222)
Employee expenses	161,848		161,848		161,848
Other service expenses	270,157		270,157		270,157
Depreciation, amortisation and impairment		114,399	114,399		114,399
Capitalisation		(4,202)	(4,202)		(4,202)
Revenue expenditure funded from capital under statute		5,116	5,116		5,116
Redundancy payments		3,692	3,692		3,692
Pension fund adjustments		(40,290)	(40,290)		(40,290)
Insurances		829	829		829
Other expenditure		2,961	2,961		2,961
Transfers to reserves and balances		3,290	3,290		3,290
Interest Payments and debt restructuring		0	0	10,614	10,614
Pension interest costs, net of return on scheme assets		0	0	9,360	9,360
Precepts & Levies		0	0	105	105
Payments to Housing Capital Receipts Pool		0	0	453	453
Gain or Loss on Disposal of Fixed Assets		0	0	65	65
Investment properties		1,161	1,161	(2,526)	(1,365)
Transfer of Academy Schools to Academy Trusts		0	0	15,777	15,777
Total operating expenses	432,005	86,956	518,961	33,848	552,809
Surplus or deficit on the provision of services	118,952	81,307	200,259	(123,672)	76,587

For the year ended 31 March 2010
Service Information

	Environment, Culture and Sport £000s	Education and Childrens Services £000s	Corporate Resources £000s	Housing and Community Care £000s	General Fund Subtotal £000s	HRA £000s	Total £000s
Total Income	(47,863)	(117,920)	(66,932)	(33,873)	(266,588)	(32,488)	(299,076)
Employee expenses	26,421	92,008	15,892	24,712	159,033	3,528	162,561
Other operating expenses	48,750	55,741	70,093	54,090	228,674	25,843	254,517
Total operating expenses	75,171	147,749	85,985	78,802	387,707	29,371	417,078
Net Cost of Services	27,308	29,829	19,053	44,929	121,119	(3,117)	118,002

Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement

Cost of Services in Service Analysis	£000s
	118,002
Add amounts not reported in Directorate budget monitoring	70,985
Net Cost of Services in Comprehensive Income and Expenditure Statement	188,987

Reconciliation to Subjective Analysis

	Service Analysis £000s	Not reported in budget monitoring £000s	Net Cost of Services £000s	Corporate Amounts £000s	Total £000s
Services income	(299,076)		(299,076)		(299,076)
Interest and investment income			0	(2,876)	(2,876)
Income from council tax			0	(66,244)	(66,244)
Government grants and contributions		(8,141)	(8,141)	(115,794)	(123,935)
Other income		(709)	(709)	(1,445)	(2,154)
Transfers from reserves and balances		(7,957)	(7,957)		(7,957)
Total Income	(299,076)	(16,807)	(315,883)	(186,359)	(502,242)
Employee expenses	162,561		162,561		162,561
Other service expenses	254,517		254,517		254,517
Depreciation, amortisation and impairment		69,040	69,040		69,040
Capitalisation		(4,620)	(4,620)		(4,620)
Revenue expenditure funded from capital under statute		12,197	12,197		12,197
Insurances		823	823		823
Other expenditure		4,150	4,150		4,150
Transfers to reserves and balances		5,684	5,684		5,684
Interest Payments and debt restructuring			0	11,420	11,420
Pension scheme adjustments		518	518		518
Pension interest costs, net of expected return on scheme assets			0	8,986	8,986
Precepts & Levies			0	105	105
Payments to Housing Capital Receipts Pool			0	974	974
Gain or Loss on Disposal of Fixed Assets			0	111	111
Investment properties			0	10,033	10,033
Total operating expenses	417,078	87,792	504,870	31,629	536,499
Surplus or deficit on the provision of services	118,002	70,985	188,987	(154,730)	34,257

ii. General Fund Performance

A report was submitted to Cabinet on 6th June 2011, setting out the draft outturn position of the Council. The net service expenditure, by directorate, compared with budgeted figures for 2010/11 is shown below:

	Budget	Probable	Draft Outturn	Variance to budget	Variance to probable
	£ '000	£ '000	£ '000	£ '000	£ '000
Environment, Culture and Sport	27,220	26,976	26,375	(845)	(601)
Corporate Resources	18,842	18,846	18,141	(701)	(705)
Housing and Community Care	50,714	50,558	49,714	(1,000)	(844)
Education and Childrens Services	27,814	27,991	27,618	(196)	(373)
	<u>124,590</u>	<u>124,371</u>	<u>121,848</u>	<u>(2,742)</u>	<u>(2,523)</u>
Capital Financing	11,166	11,063	11,109	(57)	46
Insurance	706	706	795	89	89
Proper and Pension liabilities	1,480	1,403	1,535	55	132
Area Based Grant	(11,945)	(11,945)	(12,049)	(104)	(104)
Employee termination costs	0	0	3,692	3,692	3,692
Capitalisation	(600)	(600)	(581)	19	19
Total	<u>125,397</u>	<u>124,998</u>	<u>126,349</u>	<u>952</u>	<u>1,351</u>
Use of Prudential reserves	(1,000)	(1,000)	0	1,000	1,000
Use of Organisational Change reserves	0	0	(2,600)	(2,600)	(2,600)
(Use of)/Addition to reserves	(1,493)	(1,094)	(845)	648	249
Budget requirement	<u>122,904</u>	<u>122,904</u>	<u>122,904</u>	<u>0</u>	<u>0</u>

Within the draft outturn figures are termination payments made to employees totalling £4.25m. The savings generated by these voluntary terminations should result in a payback period of approximately 9 months.

The major areas of overspends (positive figures) and underspends (negative figures) are set out below:

	2010/11 £ '000
Environment, Culture and Sport	
Highways and Transport	81
Planning and Building Control	(8)
Environment and Consumer services	(1,159)
Culture	49
Parks, Sport and Recreation	30
Business Support and other variations	162
	<u>(845)</u>
Corporate Resources	
Childcare Solicitors	165
Property related costs	(337)
Housing Benefit Grants	(203)
Staff Costs	(326)
	<u>(701)</u>
Housing and Community Care	
Older Persons Services	868
Learning Disabilities	(510)
Mental Health	78
Physical Disability	(74)
Safer Communities/DAAT	(28)
Support Services and other Community Care Services	(1,745)
Housing General Fund	411
	<u>(1,000)</u>
Education and Children's Services	
Central directorate costs	676
Locality teams	(165)
School Improvement	(437)
Extended Services	(1,160)
Social Care - external placements	304
Social Care - family placements	441
Social Care - other	302
Business transformation	(157)
	<u>(196)</u>
Total overspend/(underspend) against budget	<u><u>(2,742)</u></u>

iii. Housing Revenue Account Performance

The Housing Revenue Account (HRA) shows the income and expenditure on Council Housing; a comparison between the actual income and expenditure and the budget is shown below:

	Budget	Probable	Draft Outturn	Variance to budget	Variance to probable
	£ '000	£ '000	£ '000	£ '000	£ '000
Repairs	8,295	8,305	7,921	(374)	(384)
Management	16,000	16,003	15,412	(588)	(591)
Subsidy	7,528	7,628	7,575	47	(53)
Capital	2,150	2,100	2,068	(82)	(32)
Total expenditure	33,973	34,036	32,976	(997)	(1,060)
Rents	(32,655)	(32,390)	(32,379)	276	11
Interest and General Fund contribution	(299)	(241)	(275)	24	(34)
Total income	(32,954)	(32,631)	(32,654)	300	(23)
Net expenditure	1,019	1,405	322	(697)	(1,083)
HRA balance b/f	8,471	9,223	9,223	752	0
HRA balance c/f	7,452	7,818	8,901	1,449	1,083

Overall, the HRA under spent against the budget by almost £700k; £400k was as a result of a contingency within the repairs budget that was not required, and £600k savings relating to staffing and running costs. This was partially offset by an under achievement of rental income targets of £300k, as a result of an increase in the number of void losses.

iv. Collection Fund

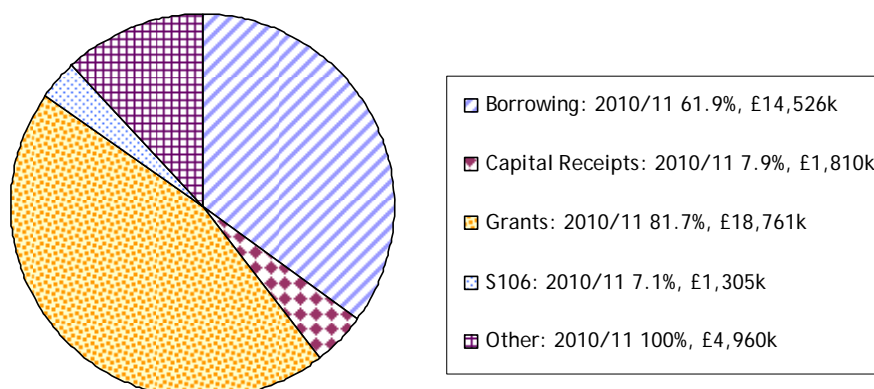
The Council is required to maintain a separate Collection Fund showing the amounts collected through local taxation, associated costs, and transfers to Precepting bodies

The total Collection Fund surplus as 31st March 2011 was £250k (31st March 2010: deficit of £1,000k), of which the Council's share was £215k (2009/10: share of the deficit of £860k). The main accounts show only the Council's share of the Collection Fund transactions.

v. Capital Spend and Borrowing

The Council's capital spending in the year amounted to £41.4m; further details are set out in note 18, page 61.

The chart below shows how the 2010/11 capital programme has been funded:



4. Pension Fund

The Pension Fund disclosures have been prepared in accordance with International Accounting Standard 19 (Employee Benefits). The Local Government Pension Scheme for Berkshire is administered by the Royal Borough of Windsor and Maidenhead on behalf of the other Berkshire Authorities. There is no net effect on the outturn position in 2010/11, although there is a net pension liability within the Balance Sheet of £143.3m (2009/10: £246.9m). The large in year reduction is due to a change in the indexation basis for future rises in pension payments from RPI to CPI; full details are set out in note 24, page 66.

5. Changes to Accounting Policies

For financial years up to and including 2009/10, the Council followed the requirements of UK GAAP (Generally Accepted Accounting Practice), as interpreted by the Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice 2009 (the SORP). From 2010/11, the Council has to produce accounts in accordance with International Financial Reporting Standards (IFRS), as interpreted by The Code.

6. Planned future developments in service delivery and the current economic climate

The Council's medium Term Financial Plan (MTFP) for the period 2012/13 to 2014/15 was approved by Council in February 2011 as part of setting the 2011/12 Budget. The plan sets out the forecast level of savings to be found over the next three years assuming a continuing freeze in Council Tax levels

	2012/13 £m	2013/14 £m	2014/15 £m
Forecast Savings Required	14.2	9.2	12.3

The plan also sets out the Council's indicative capital investment plans designed to:

- Maintain the Council's assets in a good state of repair
- Maintain the infrastructure of the Borough (for example, highways)
- Improve the transport network

- Provide additional school places
- Provide social housing

Details of the MTFP can be found on the Council's website at www.reading.gov.uk

7. Treasury Management

Full details of the Treasury Management policy, the Treasury outturn report, borrowing facilities and investments are available on the Council's website at www.reading.gov.uk.

8. Provisions, contingencies and material write offs.

There have been no material write offs during the year; three new provisions have been created in year:

- The Compensation for Loss of Office provision, to provide for future costs as a result of employees voluntarily agreeing to terminate their contracts of employment.
- The Accumulated Absences provision, to meet the accounting requirements of the Code.
- The Deposit Guarantee Scheme provision, to provide for possible future costs arising from the housing deposit guarantee scheme.

Full details are set out in note 26, page 71

9. Post-balance sheet events

There have been no events that have occurred after the balance sheet date which have required adjustment to the figures as presented here.

Annual Governance Statement

Scope of responsibility

Reading Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. i.e. to provide value for money to the taxpayer.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

The Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE *Framework Delivering Good Governance in Local Government*. A copy of the code is on our website at www.reading.gov.uk or can be obtained from Policy, Performance & Community, Civic Centre, Reading, RG1 7AE. This statement explains how the Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations (2011) in relation to the publication of a statement on internal control.

The purpose of the governance framework

The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

The system of internal control is a significant part of that framework and is designated to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at the Council for the year ended 31 March 2011 and up to the date of the Director of Resources signing the 2010/11 statement of accounts prior to audit.

The governance framework

The key elements of the systems and process that underpin the Council's governance arrangements for:

- a) **Establishing, communicating and reviewing the achievement of the authority's vision of its purpose and intended outcomes for citizens and service users and its implications for the authority's governance arrangements**
Together with partners in the public, voluntary and community sectors, and with businesses and residents we have updated our long-term vision for Reading to reflect the success so far and the areas where we can be more successful. Our new long-term vision for Reading in 2030 was developed after listening to residents and working with our partner organisations in the borough. Rather than traditional functions such as

transport, waste collection, and health, the Vision is built around the cross-cutting themes of People, Place and Prosperity:

These themes underpin Reading's Sustainable Community Strategy 2011-14, published in April 2011, reflecting the challenges and opportunities that face the borough.

The Council's Corporate Plan published in June 2011 sets out the contribution that the Council and its services towards achieving the vision. The Council has a number of strategic objectives that contribute to the shared People, Place, Prosperity vision for Reading and the new Sustainable Community Strategy 2011-14.

The Council has identified key priorities and activities based on an assessment of the needs of Reading's communities and in the context of a diminishing budget. This means encouraging more sufficient and capable communities and focusing the Council's resources on those most in need.

Directorate service plans are in place to take forward the key priorities and activities and form the cornerstone of the Council's performance management framework.

In 2009 the Council set an organizational vision for what we will look like and for where we want - and need - to be, to deliver what matters most to the people of Reading:

'A highly regarded, leading Council; ambitious and focused on what matters most for our communities, delivering value for money and quality services.'

We have developed a Transformation Programme to help us meet this vision. We are reviewing all aspects of our services to ensure we are delivering what matters most to our residents and customers, improving their experience with the Council, ensuring we are as efficient as possible and delivering value for money. Our key priorities for achieving this are

- *Value for Money*
- *Residents and Customers*
- *Staff*
- *Civic Aspiration and Pride*

- b) Measuring the quality of services for users, for ensuring they are delivered in accordance with the authority's objectives and for ensuring that they represent the best use of resources.

Directors and their management teams are responsible for identifying key performance measures which provide management information to inform decision making and track performance by the Council's Corporate Management Team and Members, on a quarterly basis. The Core Performance Group, in conjunction with the Corporate Policy Unit, coordinates and oversees the performance management framework to ensure it is applied and reviewed regularly. It is currently reviewing the basket of performance measures used by the Council following the abolition of a number of national indicators to ensure we have the best possible performance information to measure local performance and continue to compare performance with other authorities.

There are robust systems of evaluation to ensure that the Council is making informed choices about how to improve the quality of services to the people of Reading.

The Council's performance management framework provides effective arrangements for monitoring and reviewing performance. Services use performance information to make decisions about service delivery and service improvements.

The Core Performance Group (CPG) continues to meet monthly, and will review and monitor the implementation and delivery of the Performance Management Strategy and the Data Quality Policy providing an overall policy steer and direction to Performance and service managers.

The Corporate Policy Unit has put in place a more robust system for collecting the performance indicators (PIs), which clearly places the responsibility for reporting the indicators with a specified Head of Service and also identifies the officers delegated to collect the information. Performance against these indicators is monitored quarterly where possible to produce in year management information which is benchmarked via a benchmarking club which the Council subscribes to.

c) Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication

The Council is comprised of 46 Councillors elected by thirds to serve for four years. Councillors are democratically accountable to residents of their ward. The overriding duty of Councillors is to the whole community, but they have a special duty to their constituents.

All Councillors meet together as the Council. Meetings of the Council are open to the public. The Council is the paramount authority and sets policy and budgetary framework of the Council. It appoints such Committees, Sub-Committees, Panels etc, it considers necessary to carry out the non-executive functions of the local authority. Each year, in May, the Council's annual meeting elects the new Mayor and the Leader .

The Cabinet is the Council's executive and is responsible for taking all executive decisions within the overall budget and policy framework set by the Council. In 2003 the authority adopted the Leader and Cabinet model of executive; from 2011, the authority has adopted a strong Leader and Cabinet model. The Cabinet is comprised of the Leader and eight Lead Councillors (including the Deputy Leader) each with a specific portfolio of areas for which they are responsible. All services of the Council fall within the portfolios of one or more of the Lead Councillors.

Key decisions to be taken by Cabinet are published in the Council's forward plan in so far as they can be anticipated. All Cabinet meetings are open to the public to attend except where confidential or exempt matters are being discussed, in line with the Access to Information legislation. The Cabinet must make decisions in line with the Council's overall policies and budget. If it wishes to make a decision, which is outside the budget or policy framework, this must be referred to the Council as a whole to decide.

The Council's decision-making structure has delegated most routine decisions to Corporate Directors and Heads of Service; decisions only being taken after verifying that they are in accordance with the strategic aims and a range of financial and legal and other relevant advice.

The Council, through its Overview and Scrutiny Panels holds the Leader and Cabinet to account and monitors performance, and also considers certain executive items referred for comment. The authority also provides an opportunity for citizens and Councillors to

submit petitions to Council, Cabinet and Scrutiny Panels, ask questions and raise issues of broad public interest.

The Corporate Management Team (CMT) consisting of the Chief Executive, Directors, Monitoring Officer, Head of Legal Services, and Head of Policy, Performance & Community meets twice a month to oversee and direct the delivery of all Council services in accordance with policy and legislative requirements.

d) Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff

Councillors currently have to follow a statutory code of conduct to ensure high standards in the way they undertake their duties. The Member code of conduct forms part of the Council's constitution. The Standards Committee and Monitoring Officer train and advise Councillors on the code of conduct. The committee took responsibility for the local assessment of complaints about Councillors in 2008.

The Monitoring Officer submits an annual report to the authority's Standards Committee, reviewing the level and nature of complaints received over the preceding Municipal Year.

The Officer Code of Conduct helps employees maintain fully acceptable standards of conduct by specifying and explaining the standards the Council has set and to ensure that the Council maintains a deserved reputation for the high standards of its activities and the integrity of its employees at all levels.

e) Reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the process and controls required to manage risks.

The Council has an agreed Constitution, which sets out how the Council operates, how decisions are made, and the procedures that are followed to ensure that these are efficient, transparent and accountable to local people. The law requires some of these processes, while others are a matter for the Council to choose.

The Constitution is divided into 16 articles, which set out the basic rules governing the Council's business. More detailed procedures and codes of practice are provided in separate rules and protocols and are included in the Council's constitution.

Financial stewardship is reported to the Cabinet at each meeting, and is considered regularly by Directorate Management Teams and the Council's Corporate Management Team. This is supported by an established budget monitoring process by managers and Finance staff.

Through reviews by External Audit, inspection agencies, Internal Audit, and the Policy Unit, the Council seeks ways of ensuring the economic, effective and efficient use of resources, and for securing continuous improvement in the way in which its functions are exercised, having regard to the requirements of Best Value.

The Council has various mechanisms in place that help it to identify, assess and control risk throughout the entire organisation. The strategic risk register has been developed and is reviewed every six months by the Corporate Management Team, and directorate risk registers have also been developed. A strategic risk management officer group monitors and reviews existing risk management processes and also oversees the development of the Council's business continuity arrangements.

The Council has a well-established scheme of delegations, which is reviewed by the Monitoring Officer and individual services in the light of changes to legislation and the Functions and Responsibilities Regulations. The latter are set out in the Council's constitution.

- f) **Ensuring the authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010) and the Role of the Head of Internal Audit in Public Service Organisations (2010).**

The authority's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial officer in Local Government (2010) and the Role of the Head of Internal Audit in Public Service Organisations (2010). The financial management of the authority is conducted in accordance with the financial rules set out in the Constitution and with Financial Regulations.

The Director of Corporate Resources (Chief Finance Officer in accordance with Section 151 of the Local Government Act 1972) is the Council's most senior executive role charged with leading and directing financial strategy and operations. A summarised forward financial plan is included within the budget report to Council each February.

The Head of Internal Audit plays a critical role in championing best practice in governance, objectively assessing the adequacy of governance and management of existing risks, commenting on responses to emerging risks and proposed developments; and giving an objective and evidence based opinion on all aspects of governance, risk management and internal control. The Head of Internal Audit leads and directs an Internal Audit service that is resourced to be fit for purpose; and is professionally qualified and suitably experienced.

- g) **Undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committees - Practical Guidance for Local Authorities**

The Council's Corporate Community and External Affairs Panel (CCEA) has exercised the audit committee function on behalf of the Council. During 2010/2011 the CCEA Panel considered the Head of Audit's annual report and opinion, and a summary of internal audit activity (actual and proposed) and the level of assurance it can give over the Council's internal control, risk management and corporate governance arrangements. The CCEA Panel, in discharging its role as the Council's audit committee, has been kept up to date with the progress made against the delivery of the 2010/11 internal audit plan by receiving quarterly progress reports from the Council's Head of Audit. During 2010/2011 the panel has monitored the development and operation of risk management and corporate governance in the Council and has reviewed the annual statement of accounts. It has considered whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the external audit that need to be brought to the attention of the Council.

For the Municipal Year 2011/12, the authority is consulting on the Council setting up a separate Audit and Governance Committee.

- h) **Ensuring compliance with established policies, procedures, laws and regulations**

The constitution has procedure rules covering the Council's policy and budget framework. If the Cabinet, or any Committee of the Cabinet, individual Lead Councillors or any officers discharging an executive function want to make a decision, they are required to take advice from the Monitoring Officer and/or the Director of Corporate Resources as to whether the decision they want to make would be contrary to the policy framework, or contrary to or not wholly in accordance with the budget.

If the advice of either of those officers is that the decision would not be in line with the existing budget and/or policy framework, then the decision must be referred by that body or person to the full Council for decision, unless the decision is a matter of urgency, in which case the provisions in the Constitution in the Budget and Policy Framework rules, concerning urgent decisions, shall apply.

After consulting with the Chief Executive and Director of Resources, the Monitoring Officer is required to report to the Full Council or to the Executive in relation to an Executive function if s/he considers that any proposal, decision or omission would give rise to maladministration. Such a report will have the effect of stopping the proposal or decision being implemented until the report has been considered.

i) The identification and monitoring of whistle blowing informants and for receiving and investigating complaints from the public.

The Council has arrangements in place for whistle blowing to which staff and all those contracting with the authority have access. A whistle blowing policy exists and is widely communicated to all staff.

The Council continues to promote and raise awareness of fraud for staff and members through on-line fraud awareness training and regular anti fraud bulletins. These internal anti fraud initiatives supplement benefit and corporate anti fraud pages directed at the public and external customers on the Council's main website. The Council revised its Anti Fraud and Corruption Policy during 2008/2009 to incorporate legislative changes and reflect government priorities and has also published its fraud response plan.

The Council has developed a Corporate Investigations Team which provides a holistic approach and central point to capture record and investigate whistle-blowing and possible cases of fraud.

The Council has policies and procedures to deal with complaints and concerns raised by members of staff. Customers' comments or complaints about our services are dealt with through the Council's Corporate Complaints Procedure. The scrutiny panels receive annual monitoring reports on complaints in their service areas, whilst the CCEA Panel receives an annual monitoring report on complaints across the authority, including complaints to the Ombudsman.

j) Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training.

The Council provides a range of training to both councillors and officers. This is reviewed each year by the cross-party Councillor Liaison Group. All new councillors receive a formal induction process. A programme of training sessions for all Councillors is organised each year by the Civic Services Team, in conjunction with CMT and the Learning & Development Team in Human Resources. For example, during 2010-11 training provided has included sessions on Treasury Management and Housing Benefits.

k) Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation

The Council has a variety of methods of communication with the public and stakeholders. Each year the Council produces a Corporate Plan that details the Council's objectives and also provides a record of its activities and achievements in the previous year in an annual report. In 2010/2011 the Council published a social media policy and began to encourage more instant two way communication with the community via facebook and twitter.

Reading Borough Council has a long history of community consultation and participation. Our work with, and support to, the local community has resulted in a thriving voluntary and community sector and active public engagement in consultative forums and partnerships. A range of community groups such as residents' and tenants' associations are involved in the decision making process at a variety of levels, from community action projects to formal consultative meetings. The Voluntary Sector is represented on the Reading 2030 Board (the Reading Local Strategic Partnership) and within the LSP forum. The latter was consulted at a number of stages on the development of the Reading 2030 Sustainable Community Strategy.

The Council is working to embed a culture of involving and engaging its residents and customers in service development and improvement and to improve its capacity to capture and learn from the results of public consultation and other participation activities.

Our service planning process is informed by ongoing consultation and involvement. We use a variety of methodologies: boards, steering and working groups with community participation, surveys, focus groups, consultation events, discussion groups, leaflet drops etc. Our website has a consultation page <http://www.reading.gov.uk/consultations> where the details of the Council's consultations are provided and where consultees can make their responses and be updated on the outcome.

All Cabinet reports include a 'Community Engagement' section setting out how local people have been involved.

I) Incorporating good governance arrangements in respect of partnerships and other group working and reflecting these in the authority's overall governance arrangements.

The Council is increasingly working in partnership with other public sector agencies and the voluntary and community sector.

The Council developed a Code of Practice for Partnerships, and toolkit designed to clarify accountability and roles and responsibilities for all partners in. During 2009/2010 the completion of these toolkits informed which of those partnerships carried the greatest risk and where governance arrangements needed to be formulated.

Review of effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the authority who have a responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

The process for maintaining and reviewing the effectiveness of the governance framework within The Council are:

- Annual reviews by Internal Audit of the authority's governance, risk management and system of internal control.
- Reviews by internal Audit of internal controls in operation within each service area against known and emerging risks.
- Annual service planning to align service development against strategic goals.

- Ongoing review of the business of and decisions taken by the Monitoring Officer, which include that the Council has acted lawfully and that agreed standards have been met.
- Assessment of the authority's financial management arrangements against the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010)
- Meetings of the CCEA scrutiny panel, as the Council's Audit Committee, to consider the work of and recommendations made by the internal and the external auditors and other review bodies.
- Annual reviews of the Council's financial accounts and supporting systems by the external auditors leading to their opinion as published in the year-end statements.
- Annual reviews and, where appropriate, update of the Authority's constitution including standing orders and financial instructions.
- Ongoing review of strategic, operational and project risks and the actions required to mitigate against them.
- Monthly budget monitoring by the Council's Corporate Management Team, supported by established monitoring processes, with monthly reports to the CCEA Panel.
- Directors complete an annual assurance statement that is supported by a governance self-assessment completed by each Heads of Service.
- Review of the effectiveness of internal audit in accordance with the Accounts & Audit Regulations (2011).
- Annual review of standards and complaints about Councillors by the Monitoring Officer to the Standards Committee

We have been advised on the implications of the results of the reviews of the effectiveness of the governance framework and plan to address weaknesses and ensure continuous improvement of the system is in place.

Key Governance actions planned for 2011/2012

Issue	Action	Responsible Officer
Performance Improvement Programme (PIP)	To continue to manage the Performance Improvement Programme, ensuring the right skills remain within the Council to achieve its key priorities, whilst achieving the necessary savings.	Chief Executive / Corporate Management Team
Business Continuity	To continue to build on achieving and embedding business continuity plans, with a focus on testing and review for critical services, particularly where third party providers are involved.	Corporate Management Team / Strategic Risk Management Group
Budget Management	To continue to monitor the Council's net expenditure against budget to ensure the projected savings and income targets are delivered. To also implement the agreed strategy to reduce outstanding debt.	Corporate Management Team / Director of Corporate Resources
Information Management	The Council to review its key Information Technology policies and procedures, and ensure full compliance with GCSX and N3 (Health) Government information security requirements.	Senior Information Risk Officer / Corporate Management Team
IT Contract	To complete the procurement and implementation of the new IT contract and ensure contract specification and arrangements deliver on service requirements, and that savings are achieved.	Corporate Management Team / Head of Policy , Performance & Community
Risk Management	To continue to develop and embed a risk management culture across all service areas, and ensure that all relevant staff are trained in risk management techniques.	Corporate Management Team / Strategic Risk Management Group
Pay & Grading / Equal Pay Claims	To complete implementation of Pay & Grading, specifically in relation to industrial unrest and poor morale. To make provision for outcomes of Equal Pay Claims as the legal process develops.	Corporate Management Team
Partnerships	The governance arrangements for all partnerships including those with the voluntary sector be ascertained, mapped and refreshed, and continue to develop risk management protocols for partnerships.	Corporate Management Team / Strategic Risk Management Group
Adult Social Care - Transformation programme	To manage the overall transformation programme of adult social care and proposals for ensuring that vulnerable adults continue to receive appropriate support from the Council.	Director of Housing and Community Care

Issue	Action	Responsible Officer
Health Economy Agenda	To manage the risks resulting in changes in the Health service and the transfer of increased responsibilities to the Council.	Director of Housing and Community Care
Contracts / Commissioning / VfM	To review the Council's contracts, and its procurement/commissioning arrangements with a view to achieving savings.	Corporate Management Team / Director of Corporate Resources
Recruitment & Retention of Social Workers	Ensure that there is effective and sufficient recruitment of permanent qualified social work staff.	Director of Education & Children's Services / Director of Housing & Community Care
School Governance	To review Governance arrangements within schools and ensure they remain clear, appropriate and well documented.	Director of Education & Children's Services
Standards	To develop a local standards regime and thereafter code of conduct to replace the statutory process from April 2012.	Monitoring Officer
Management of S.106 Planning Income	To ensure that the agreed recommendations made as a result of the review of S.106 practices, be implemented and monitored.	Chief Executive Officer
Compliance with the Public Sector Duty of the Equality Act 2010	Staff training will be provided on the Equality Act 2010 and the steps necessary to demonstrate conscious consideration of the aims of the Equality Duty as part of the process of decision-making. The Equality Impact Assessment toolkit has been revised to enable this process. All Cabinet reports will include an Equality Impact Assessment section to ensure decisions are taken in full knowledge.	Corporate Management Team
Reading Transport Ltd	RTL to produce business process flowcharts, and develop a risk based Internal Audit plan.	Reading Transport Ltd / Director of Corporate Resources
Audit Recommendations	To ensure that all Internal Audit Reports with a limited or minimal assurance opinion are followed up and reported through the Audit and Governance Committee.	Head of Internal Audit & Risk Management

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed

Councillor Jo Lovelock,
Council

Leader of

Signed

Michael Coughlin, Chief Executive

On behalf of the members and senior officers of Reading Borough Council

Independent Auditor's report

To follow

To follow

To follow

Statement of Responsibilities

The Authority's responsibilities

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Corporate Resources.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Arrange for the approval of the Statement of Accounts at the conclusion of the audit; in this Authority, the approval is delegated to the Audit and Governance Committee.

The Chief Financial Officer's Responsibilities

The Chief Financial Officer is responsible for the preparation of the authority's Statement of Accounts, in accordance with proper practices as set out in the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom (The Code).

In preparing this Statement of Accounts, the Chief Financial Officer has:

- Selected suitable accounting policies and then applied them consistently.
- Made judgements and estimates that were reasonable and prudent.
- Complied with the Local Authority Code

The Chief Financial Officer has also:

- Kept proper accounting records which were up to date
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

Approval of the Accounts

The draft financial statements, and accompanying notes, set out on pages 28 to 103, have been prepared and published in accordance with the Accounts and Audit Regulations 2011 and are subject to audit.

These statements give a true and fair view of the financial position of Reading Borough Council as at 31st March 2011, and of its income and expenditure for financial year 2010/11.

Dave Peasley CPFA
Director of Resources, Reading Borough Council

30th June 2011.

Core Financial Statements

Movement in Reserves Statement - summary

	Total General Reserves	Total Unusable Reserves	Total Authority Reserves
	£ '000	£ '000	£ '000
Balance at 31 March 2009	55,726	496,779	552,505
Total comprehensive income & expenditure	(34,257)	(116,367)	(150,624)
Adjustments between accounting basis and funding basis under regulations	36,932	(36,932)	(73,864)
Net (increase)/decrease before transfers to earmarked reserves	2,675	(153,299)	(150,624)
Transfer to/(from) earmarked reserves	0	0	0
Balance at 31 March 2010	58,401	343,480	401,881
	£ '000	£ '000	£ '000
Balance at 31 March 2010	58,401	343,480	401,881
Total comprehensive income & expenditure	(76,587)	69,502	(7,085)
Adjustments between accounting basis and funding basis under regulations	69,230	(69,230)	(138,460)
Net (increase)/decrease before transfers to earmarked reserves	(7,357)	272	(7,085)
Transfer to/(from) earmarked reserves	(2,880)	2,880	0
Balance at 31 March 2011	48,164	346,632	394,796

A full breakdown of the Movement in Reserves Statement is provided in Note 13, page 48

Comprehensive Income and Expenditure Account (CIES)

2009/10			2010/11	
Net expenditure		Gross expenditure	Gross income	Net expenditure
£ '000		£ '000	£ '000	£ '000
(restated)				
971	Central Services to the public	15,031	(13,966)	1,065
31,483	Cultural, environmental, regulatory and planning services	68,260	(36,839)	31,421
11,707	Highways, Roads and Transport Services	23,941	(11,907)	12,034
31,566	Education	142,432	(120,650)	21,782
17,941	Children and Families Services	22,363	(3,386)	18,977
48,019	Community Care	69,755	(18,527)	51,228
12,975	Housing Services	196,733	(107,181)	89,552
12,346	Other Services	25,589	(5,986)	19,603
720	Corporate and Democratic Core	730	(64)	666
1,040	Non-distributed Costs	(46,069)	0	(46,069)
20,219	Exceptional items	0	0	0
188,987	Cost Of Services	518,765	(318,506)	200,259
	Other Operating Expenditure			
105	Levies payable			105
974	Payments of Housing capital receipts to Government pool			453
111	Gain/loss on disposal of non current (fixed) assets			65
0	Transfers to new Academy Schools			15,777
	Financing and Investment Income and Expenditure			
10,657	Interest element of debt, finance leases and PFI			10,603
763	Premium on early repayment of debt			11
8,986	Pensions interest costs, net of expected return on scheme assets			9,360
(2,876)	Investment Interest income			(1,981)
9,902	Changes in fair value of investment properties			(1,191)
0	Gains/loss on disposal of investment properties			21
(1,445)	Rentals received on investment properties			(1,492)
131	Expenses incurred on investment properties			136
	Taxation and Non-Specific Grant Income			
(66,244)	Council tax			(68,174)
(44,338)	NNDR			(48,353)
(10,234)	RSG			(7,021)
(61,222)	Non service related capital grants and contributions grants			(31,991)
34,257	(Surplus) or Deficit on Provision of Services			76,587
403	Surplus or deficit on revaluation of non current assets			3,529
115,535	Actuarial gains / losses on pension assets / liabilities			(71,666)
429	Movement on the Collection Fund			(430)
0	Contribution to unfunded pensions payments			(935)
116,367	Other Comprehensive Income and Expenditure			(69,502)
150,624	Total Comprehensive Income and Expenditure			7,085

Core Financial Statements

Balance Sheet

1 st April 2009 Restated £ '000	31 st March 2010 Restated £ '000		Note	31 st March 2011 £ '000	31 st March 2011 £ '000
423,884	407,903	Council Dwellings		301,948	
240,894	220,305	Other Land and Buildings		217,065	
9,797	11,847	Vehicles, Plant and Equipment		10,151	
134,144	170,659	Infrastructure		180,478	
8,360	9,150	Community Assets		9,885	
7,399	5,763	Assets Under Construction		5,768	
824,478	825,627	Property, Plant and Equipment	16		725,295
39,023	29,149	Investment Property	21	31,264	
474	573	Intangible Assets	17	493	
14,353	12,375	Assets Held for Sale (> 1 year)		0	
8,974	3,974	Long Term Investments		3,974	
4,034	3,553	Long Term Debtors		3,048	
66,858	49,624				38,779
891,336	875,251	Long Term Assets			764,074
45,135	45,061	Short Term Investments		45,021	
116	178	Inventories	22	191	
32,453	29,704	Short Term Debtors		45,240	
14,190	10,793	Cash and Cash Equivalents		11,679	
2,100	870	Assets Held for Sale (< 1 year)		14,442	
93,994	86,606	Current Assets			116,573
985,330	961,857	Total Assets			880,647
(4,118)	(4,192)	Bank Overdraft		(4,904)	
(13,685)	(23,685)	Short Term Borrowing		(41,525)	
(38,639)	(37,461)	Short Term Creditors		(47,414)	
(13,146)	(17,919)	Grant Receipts in Advance	29	(17,844)	
(125)	(131)	Short Term Finance Lease Liabilities	19	(138)	
(69,713)	(83,388)	Current Liabilities			(111,825)
915,617	878,469	Total Assets less Current Liabilities			768,822
(483)	(352)	Long Term Finance Lease Liabilities	19	(215)	
(33,878)	(36,088)	Long Term PFI Lease Liabilities	20	(35,457)	
(5,925)	(8,986)	Provisions	26	(11,877)	
(200,321)	(184,208)	Long Term Borrowing	30	(183,134)	
(122,505)	(246,954)	Liability relating to Defined Benefit Pension Scheme	24	(143,343)	
(363,112)	(476,588)	Long Term Liabilities			(374,026)
552,505	401,881	Net Assets			394,796
		<i>Financed by:</i>			
		General reserves	14		
11,193	9,264	General Fund		8,629	
33,405	34,915	Earmarked Reserves		24,146	
8,698	9,223	Housing Revenue Account		8,784	
219	237	Capital Receipts Reserve		114	
2,211	4,762	Capital Grants Unapplied		6,491	
55,726	58,401				48,164
		Unusable reserves	15		
73,495	68,491	Revaluation Reserve		59,264	
(122,505)	(246,954)	Pensions Reserve		(143,343)	
545,682	526,678	Capital Adjustment Account		431,577	
1,626	1,386	Deferred Capital Receipts		1,148	
2,457	1,324	Financial Instruments Account		1,401	
(860)	(860)	Collection Fund Adjustment Account		215	
0	(3,000)	Equal Pay Back Pay Account		0	
(3,116)	(3,585)	Short-term Accumulated Compensated Absences Account		(3,630)	
496,779	343,480				346,632
552,505	401,881	Total Reserves			394,796

D. J. Peasley CPFA, 30th June 2011

Cashflow Statement

31 March 2010 £000s		31 March 2011 £000s
(34,257)	Net surplus or (deficit) on the provision of services	(76,587)
175,178	Adjust net surplus or deficit on the provision of services for noncash movements	151,449
(143,516)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(85,545)
(2,595)	Net cash flows from Operating Activities	(10,683)
7,032	Investing Activities	(3,864)
(7,908)	Financing Activities	14,721
(3,471)	Net increase or decrease in cash and cash equivalents	174
10,072	Cash and cash equivalents at the beginning of the reporting period	6,601
6,601	Cash and cash equivalents at the end of the reporting period	6,775

Notes to the Accounts

1. Statement of Accounting Policies

i. Introduction

The Council prepares Accounts for a financial year ending 31st March; this Statement of Accounts details the performance of the Council for 2010/11, and the balance sheet position as at 31st March 2011.

The Accounts are prepared in accordance with the proper practices set out in the Accounts and Audit Regulations 2011, primarily the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 ('The Code'), and the Best Value Accounting Code of Practice (BVACOP), supported by International Financial Reporting Standards (IFRSs).

The following accounting policies are consistent with these requirements. Where there was a degree of uncertainty over the actual monetary value of an item, estimates have been used. Any estimates have been determined by considering all relevant facts and their impact on the Council's accounts.

ii. Accruals

Income and expenditure is accrued for in the year in which the supply occurs, rather than when the transfer of cash actually happens.

When income or expenditure is recognised, but the cash has not transferred, a debtor (where income has been recognised) or creditor (where expenditure has been recognised) for the relevant amount is included in the balance sheet. Where there is uncertainty regarding the payment of a debt, the balance is written down and an equivalent charge made to revenue for the income that may not be collected.

iii. Business Improvements Districts

A BID is a mechanism that allows local businesses to agree to pay a nominal supplement on their business rates bill to provide additional services and facilities to improve their trading environment. BIDs are driven entirely by the businesses within the defined area. The Council effectively acts as an agent for Reading UK CIC, and as such collects the supplement on behalf of the BID company, and passes it on, less an administration charge.

iv. Cash and Cash equivalents

Cash is represented by cash in hand, and deposits with financial institutions which are repayable on demand, without incurring penalties.

Cash equivalents are deposits that mature within 3 months of the original investment date, and are readily convertible to known amounts of cash with an insignificant risk of a change to its value.

In the cashflow statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

v. Exceptional items

Material, one off, items of income and expenditure are disclosed separately within the Net Cost of Services in the Comprehensive Income and Expenditure Statement. If the item has a significant impact on the position of Council, further detail will be set out in a note to the accounts. In 2010/11, the Council recognised no exceptional items in the Comprehensive Income and Expenditure Statement.

vi. Prior period adjustments, changes to accounting policies and estimates .

Prior period adjustments may be required as a result of a change in accounting policy, or to correct a material error. Material errors discovered in prior year figures are corrected retrospectively by adjusting the opening balances and all affected comparative figures. No material errors required correction in 2010/11.

Changes to accounting estimates are not changes to accounting policy, and so only require changes to be made in the current and future years, rather than requiring a prior period adjustment.

The accounting policies of the Council are only changed when required to by proper accounting practices or the change provides more reliable or relevant information regarding the financial position of the Council. When a change is made, it is applied retrospectively, unless stated otherwise, so that the financial statements reflect the position the Council would have been in if the policy had always been in place.

vii. Employee benefits .

- **Benefits payable during employment**
Under the terms of IAS 19, the Council is required to accrue for the cost of short term benefits due to employees, but untaken as at 31st March. These benefits include amounts for untaken annual leave, flexi-time and time off in lieu (TOIL). Amounts corresponding to the value of these untaken benefits are charged to the individual services, but then reversed out through the Movement in Reserves Statement, ensuring that it has no impact on the Council's overall financial position. It is not expected that these amounts will be converted to direct cash payments to employees.
- **Pension and retirement benefits**
As part of the terms and conditions of employment of its officers and other employees, the Council offers membership to one of the two pension schemes in which it participates. Although the benefits from these will not arise until the employee retires, the Council has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The Council participates in two different pension schemes:

- Teachers Pension Scheme, an unfunded scheme administered by Capita on behalf of the Department for Education (DfE).
- Local Government Pension Scheme (LGPS), a funded scheme administered by the Royal Borough of Windsor and Maidenhead. As it is a funded scheme, both the Council and Employees contribute to the scheme at levels intended to balance the pension liabilities with the investment assets of the scheme.

In accordance with The Code and IAS 19 ('Employee Benefits'), these statements incorporate the Council's assets and liabilities based on its future pension commitments. The Scheme Actuary calculates the cost of retirement on an annual basis, therefore these accounts reflect the costs of providing retirement benefits to employees in the accounting period in which they are earned by the employees, as well as the related finance costs and any other changes in valuations that occur within the financial year.

Details of the scheme assets, liabilities and payments to the funds are set out in note 24 to these accounts.

viii. Events after the balance sheet date

If an event occurs between the balance sheet date and the approval of the accounts which has an impact on the financial position, the Council is obliged to assess the impact, and adjust the accounts as necessary.

Two types of post-balance sheet events exist:

- Those that provide clearer evidence of the actual conditions prevailing at the balance sheet date - the Accounts would be adjusted to reflect this information
- Those where an event has occurred subsequent to the balance sheet date, but which has not altered the actual position of the Council at this date - this would be explained in a note to the Accounts.

For 2010/11, the Council has not had to make any adjustments for events after the balance sheet date.

ix. Financial Instruments

Loans raised by the Council, mainly through the Public Works Loans Board (PWLB) in accordance with their circular, are pooled. All interest is charged to the Comprehensive Income and Expenditure Statement. The Housing Revenue Account (HRA) is charged with interest in accordance with statutory criteria (calculated at an average rate of 3.44% in 2010/2011).

As part of its interest and debt management, on occasion the Council repays loans before their maturity date; usually receiving a discount on incurring a premium. Such gains and losses on premature repayment of debt are recognised in the Comprehensive Income and Expenditure Statement in the year they occur, unless they meet the modification test in The Code (i.e. the present values of the debt restructured has not changed significantly). Otherwise they are adjusted through the Financial Instruments Adjustment Account (FIAA) in accordance with statutory criteria. Where PWLB borrowing is repaid and replaced on the same day, gains and losses are amortised using the effective interest rate method provided the modification test criteria set out in The Code are met. For financial assets and liabilities carried at fair value, the fair value has been determined using discounted cash flow analysis

x. Foreign Currency transactions

All transactions within these Accounts are in Sterling; where the Council has carried out a transaction in a foreign currency, the transaction has been converted to Sterling on the basis of the exchange rate at the time of the transaction.

xi. Government Grants and Contributions

Government grants and third party contributions are recognised as income within the Accounts when the Council is reasonably sure that:

- It will comply with the conditions attached to the payments
- The contribution or grant will be received.

Income is only recognised in the Comprehensive Income and Expenditure Statement once any conditions attached to the contribution or grant are met. A condition can stipulate how an asset purchased with grant can be used, or a service provided, with the risk of having to repay the grant to the awarding body if the conditions are not complied with.

Any contributions received where the conditions have not been met are held as receipts in advance on the balance sheet; when the conditions are satisfied, the grant or contribution is credited to the Comprehensive Income and Expenditure Statement. Grant balances in excess of the expenditure actually incurred are then reversed out through the Movement in Reserves Statement.

xii. Intangible assets

Intangible assets are non-financial items which do not have a physical form, but it has been identified that the Council can expect to benefit from in the future, for example software licences.

As no active market exists for the majority of the Council's intangible assets, they are initially valued at cost, and then amortised over their useful economic life (typically 2 to 5 years for software licences). Amortisation and impairments are charged to the relevant service within the Comprehensive Income and Expenditure Statement. This is then reversed out of the general fund via the Movement in Reserves Statement.

xiii. Interests in companies

The Council has reviewed the relationships it has with its partner organisations to determine which should fall within the scope of the group. The Council has interests in four companies which it considers should be incorporated within the group; these companies are:

- Reading Transport Limited (RTL) - founded in 1986 to meet the requirements of the Transport Act (1985)
- Reading Economic Development Company Limited (REDCO Group) - a group of three companies - REDCO, Acre Road Industrial Estate Limited and Queens Road Carp Park Limited. REDCO Group had minimal assets.

The financial statements within the group accounts (pages 87 to 95) consolidate the Council's results, and that of Reading Transport and REDCO Group. Any transactions between organisations within the group have been eliminated from the statements.

The Council is also a trustee for a number of charitable land holdings; these rely on revenue support from the Council. Whilst immaterial, these are consolidated into the group accounts for completeness.

xiv. Inventories and work in progress

Inventories held at 31st March are included within the balance sheet at the lower of cost and new realisable value.

xv. Investment properties

Properties owned by the Council for the purposes of income generation or capital appreciation, rather than service delivery, are classified on the balance sheet as investment properties.

Investment properties are initially valued at fair value, but revalued annually. Gains or losses upon revaluation are recognised within the financing and investment income line within the Comprehensive Income and Expenditure Statement, as are rental incomes. Revaluation gains are reversed out of the General Fund through the Movement in Reserves Statement.

xvi. Leases

The Council is involved in agreements by which equipment, land and buildings are leased from other organisations and leased out to organisations and individuals.

All material leases have been assessed against the tests of control set out in the Code. Where these tests have changed the classification of the lease in comparison to its classification under the former Statement of Recommended Practice, adjustments have been made to ensure that the financial statements reflect the current classification.

Council as lessee

- *Finance leases*

Property, plant and equipment are recognised on the balance sheet at the inception of the lease at the lower of fair value of the asset, or the present value of the minimum lease payments. The asset recognised is matched with a liability for the lease payments to the supplier. Lease payments made in year are split between:

- an element writing down the lease liability over the life of the lease
- a finance charge to the Comprehensive Income and Expenditure Statement.

- *Operating leases*

Rentals due under an operating lease are charged in full to the Comprehensive Income and Expenditure Statement on a straight line basis. No asset or liability is recognised in the balance sheet.

Council as lessor

For leases in existence at 31st March 2010, where the Council is the lessor, the terms of the Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations (2010) allow for a continuation of the accounting treatment adopted for the lease under the SORP. The Council is following this treatment for all existing leases where it is the lessor.

- *New finance leases*

For all new finance leases, the relevant asset is written out of the balance sheet as a disposal, with the carrying amount transferred to the Comprehensive Income and Expenditure Statement along with the gain or loss on disposal. This is matched by a long term debtor on the balance sheet. As capital receipts cannot be used to increase the general fund balance, premia received have to be transferred to the Capital Receipts reserve through the Movement in Reserves Statement. Lease income is split between:

- a charge for the acquisition of the leased item which is used to write down the long term debtor.
- finance income, credited to the Comprehensive Income and Expenditure Statement.

- **Operating leases**

If the Council grants an operating lease, the asset remains within the Council's balance sheet, and the rental payments received are credited to the Other Operating Expenditure line within the Comprehensive Income and Expenditure Statement.

xvii. Overhead and support service recharges

All costs of overheads and support services are apportioned to those areas that benefit from the supply or service. This is done in accordance with the principles set out in the CIPFA Best Value Accounting Code of Practice (BVACOP) 2010/11. The most commonly used apportionment bases are:

Cost	Apportionment basis
Staff	Officers use of time
Administrative buildings	Area occupied
IT	Use of computer resources

xviii. Property, plant and equipment

Any physical assets owned by the Council that are used for the provision of services, rather than held for the generation of income, are classified as property, plant and equipment (PPE).

- **Recognition**
Expenditure on the acquisition, creation or enhancement of PPE is capitalised on an accruals basis, provided that the benefits provided to the Council last for longer than one year.
- **Measurement**
Assets are initially valued at cost, which comprises the purchase price, plus any costs to get the assets to the final location and operating as intended by management.

Assets are held on the balance sheet according to the following valuations bases:

Asset type	Valuation basis
Infrastructure, community assets and assets under construction	Depreciated historic cost
Dwellings	Fair value based on existing use value for social housing
All other PPE assets	Fair value based on existing use value

Where there is no market evidence for a fair value, primarily due to the specialised nature of the asset, depreciated replacement cost (DRC) is used in lieu of the fair value.

The Council's assets are revalued on a five-year rolling programme, unless it has become apparent that due to a change in conditions, an interim revaluation is required. Any increases in valuations are credited to the revaluation reserve to recognise the unrealised gain.

Where decreases in valuations (impairments) occur, these are accounted for by:

- Reduction of the value of the revaluation reserve for that asset (if one exists) to zero if necessary.
- If there are no unrealised gains in the revaluation reserve for that asset, or the impairment is greater than the total revaluation reserve for the asset, the balance of the impairment is written down against the various service lines in the Comprehensive Income and Expenditure Statement.

The revaluation reserve has only been in use since 1st April 2007, therefore the reserve only contains unrealised gains recognised since this date. Gains recognised prior to 1st April 2007 are consolidated within the Capital Adjustment Account.

Depreciation is provided for on all assets, with the exception of land, assets under construction, and investment properties. Depreciation is calculated on the basis of the following assets lives:

Asset type	Useful economic life (years)
Major new buildings on Council-owned land	40 - 60
Major extensions to existing buildings and major remodelling of infrastructure	20 - 40
Major refurbishment of existing buildings	20
Major transport infrastructure	30
Other transport capital expenditure	15
Small items of capitalised expenditure	5 - 10
Vehicles	5 - 7

Items of Property, Plants or Equipment valued at over £1m will be assessed when revalued to see whether any separately identifiable components need to be recognised. Components will only be recognised where the value is at least £200k, or the remaining useful economic life of the component is significantly different to that of the host asset. When an item of PPE has separately identifiable components, the components are depreciated separately.

For HRA housing assets, whilst this threshold does not apply at an individual dwelling level, the Council is moving towards a component based approach to depreciation of the stock as a whole that it anticipates will be fully implemented when the HRA moves to a 'self-financed' basis in 2012/13.

Where a revaluation gain has been recognised, this is depreciated; the charge is equal to the difference between the current value depreciation charged on the asset and the depreciation that would be charged if an historic cost basis had been used.

Assets held for sale and disposals

The Code introduced a new class of assets: 'non-current assets held for disposal'; when assets are being actively marketed, and the disposal is expected to occur within the next 12 months, the asset is reclassified as a non-current asset held for

disposal. Prior to reclassification, the asset is revalued, and then carried at the lower of the revaluation and the fair value less costs of disposal. If there is a subsequent decrease in the fair value less disposal costs, the loss is charged to the 'other operating expenditure' within the Comprehensive Income and Expenditure Statement.

If it becomes clear that the asset no longer meets the criteria for Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount prior to being classified as being held for sale (adjusted for depreciation, amortisation or revaluations that would have been incurred if the original reclassification had not occurred), and their recoverable amount at the date of the decision not to sell.

Receipts from the disposal of assets in excess of £10,000 are classed as capital receipts. For receipts resulting from the disposal of housing land and properties, a proportion (75% for dwellings, 50% for land and other assets, less allowances and statutory reductions) is payable to the Government. This amount is shown within the Comprehensive Income and Expenditure Statement; the retained portion is credited to the Capital Receipts Reserve, to be used to fund affordable housing and regeneration projects.

xix. Private Finance Initiative (PFI) and similar contracts

The Council is involved with two PFI schemes: one with Affinity Limited for the management of housing stock in North Whitley, the other with WRG Limited for waste disposal.

IFRIC 12 requires the Council to assess the level of control each party has within the contract; the result of this assessment is that both of the Council's PFI schemes are recognised on the Council's balance sheet. The in-year charges are split between a service charge element (chargeable to the relevant service line within the Comprehensive Income and Expenditure Statement), interest (chargeable to interest payable and similar charges within the Comprehensive Income and Expenditure Statement) and an MRP element (equal to the capital repayment made in year).

xx. Provisions, contingent liabilities and contingent assets

- **Provisions**

Provisions are made when an event occurs that gives the Council a legal or constructive obligation that is likely to require settlement by a transfer of money or service potential, and a reliable estimate can be made of the magnitude and timing of the obligation.

Provisions are charged to the appropriate service line(s) in the Comprehensive Income and Expenditure Statement in the year the Council becomes aware of the obligation, and are the best estimate of the value as at the balance sheet date. The eventual payment is charged to the balance sheet provision. Provisions are reviewed each year, with the balance increased or decreased as required. Details of the provisions made by the Council are set out in note 26, page 71.

- **Contingent liabilities**

A contingent liability is recognised when an event occurs which gives the Council a possible obligation, but the existence of the liability will only be confirmed by uncertain future events over which the Council does not have

sole control. Contingent liabilities are disclosed as a note to the accounts; in 2010/11, the Council recognised no contingent liabilities.

- **Contingent assets**

A contingent asset is recognised when an event occurs which gives the Council a possible asset, but the existence of the asset will only be confirmed by uncertain future events over which the Council does not have sole control. Contingent assets are disclosed as a note to the accounts; in 2010/11, the Council recognised one contingent asset.

xxi. Reserves

The Council sets aside specific amounts for future policy purposes or to cover contingencies. The reserve is created via the Movement in Reserves Statement; when expenditure is incurred that is to be funded from the reserve, the expenditure is recognised within the relevant service line in the Comprehensive Income and Expenditure Statement, with the reserve being appropriated back to the General Fund via the Movement in Reserves Statement, so there is no net Council Tax impact of the expenditure.

The Council's reserves are divided between General Reserves, established as above, where the Council has some discretion over its approach, and Unusable Reserves, where the Local Authority accounting framework has created various reserves that are not available for general use.

Details of the reserves held by the Council are set out in note 14, page 53.

xxii. Revenue expenditure funded from capital under statute (REFCUS)

REFCUS represents expenditure which may be correctly capitalised, but which does not result in the creation of a non-current asset in the Council's accounts. The expenditure is written off to the Comprehensive Income and Expenditure Statement in full in the year in which it is incurred.

Common areas of expenditure classed as REFCUS include capital expenditure at Foundation, Voluntary Controlled and Voluntary Aided Schools, and Disabled Facilities Grants.

xxiii. Equal pay backpay

The Council has established an Equal Pay Provision, since under the Equal Pay Act (1970, as amended) employees are entitled to equal pay for work of equal value. Payments are envisaged in future years, but the extent of this cannot be accurately quantified at present.

xxiv. VAT

The accounts are prepared excluding VAT, except where the Council is unable to recover VAT paid.

2. Critical judgements in applying accounting policies

In the course of applying the accounting policies detailed above, the Council has had to make judgements about significant transactions and balances. The critical judgements made in the production of this Statement of Accounts are as follows:

- The Council is involved with two PFI contracts, after an assessment under the requirements of IFRIC 12, it has been determined that these are effectively under the control of the Council. The accounting policies relating to PFI schemes have

therefore been applied to these two arrangements, and the associated assets recognised on the Council's balance sheet.

- The Council has a number of vehicles held on leases, a number of these are for all of the life of the asset, and the amounts paid are in excess of what would be paid if the asset were to be purchased. These vehicles have been treated in accordance with the Council's policies in respect of finance leases, and feature on the balance sheet. The Council's other leases have been assessed and are being treated as operating leases, with the costs charged in full to the net cost of services.

- The Council is in dispute with Laing O'Rourke Infrastructure, the contractor for the redevelopment of Junction 11 of the M4. The final contract sum is disputed, with a material difference between the view of the contractor and the position of the Council. The Council has accrued in the 2010/11 accounts up to the level of an offer made (now withdrawn) to settle the dispute.

- The Council has a number of properties for which it receives rental income. The nature of these holdings have been assessed against the Code requirements for investment properties. Properties that are held solely for the rental incomes received, or for increases in the capital value of the building, have been treated as investment properties, and the income and expenditure resulting from them are included within 'Investment income' in the Comprehensive Income and Expenditure Statement.

- The Council has offered various employees terms to terminate their employment contracts on a voluntary basis during 2010/11. The accounts include accruals for the cost of those termination payments where the decision to end the contract was taken by 31st March 2011, although some of the contracts will run to dates (that in some cases have not been finalised) in 2011/12.

3. Assumptions made about the future and other major sources of estimation uncertainty

The Accounts include a number of estimates that are based on assumptions regarding future events, the effects of which can not be accurately gauged in advance. The disclosures below are limited to those estimates that have a significant risk of requiring a material adjustment within the next financial year.

Item	Uncertainties	Effect if actual results differ from assumptions
- Assumptions used in the calculation of depreciation	Actual useful life of the asset	
- Assumptions about future events affecting provisions	Timing and magnitude of the liability	Provision may be insufficient to cover liability if under estimated, or too large a provision may be made if the liability is over estimated.
- Principal actuarial assumptions regarding defined benefit pension schemes	The actuaries for the Royal Berkshire pension scheme use a number of assumptions when calculating the net liabilities of the scheme. These include: <ul style="list-style-type: none"> - changes in inflation - salary increases - discount rates 	Full details of the sensitivity analysis in respect of changes to the discount rates and life expectancies conducted by the actuaries are set out in note? Page?. The estimates interact in

Item	Uncertainties	Effect if actual results differ from assumptions
	<ul style="list-style-type: none"> - returns on scheme assets - life expectancy of scheme members 	complex ways, and as a result, the actuaries advised that total experience adjustments on scheme assets of £13,187k, and - £5,459k on scheme assets needed to be recognised in 2010/11 as a result in updating assumptions.
- Assessments of the recoverable amounts of arrears and other debtors	Levels of bad debt provision have been calculated on the basis of the current economic conditions	If the levels of bad debts are higher than have been allowed for in the Comprehensive Income and Expenditure Statement, a cost to revenue will occur in future years.
- Assessment of future payments for PFI schemes	Estimates of the future payments to contractors are based on assumptions regarding inflation and performance	Increase in inflation will lead to the Council having to pay over more to the contractor, so amounts included here will be understated. If the contractor's performance is lower than has been built into the financial model, the contractor will have penalty charges levied against it, and therefore the Council's costs will be lower than set out here.

4. The impact of accounting changes required by new standards that have been issued, but not yet adopted.

FRS 30, Heritage Assets, is scheduled to be adopted by the Council in 2011/12; it is anticipated that a number of the Council's community assets will be reclassified to Heritage assets, primarily the Mayoral Regalia, Museum Collections and the Abbey Ruins.

As a result of this, assets where there is an open market will be valued at market value; assets with no marketable value will be held at replacement cost. Where it is impossible to establish a value for an asset through either of these methods, the asset will be held at zero, but included as a note to the accounts.

The likely impact of this change has not yet been reliably estimated.

5. Transfers to Academy Schools

During 2010/11, four schools became Academies, following a change in legislation. Lease transfers of the assets and school balances relating to these schools have been made over to the Academy Trusts, with value of the transfers (2010/11: £15.8m, 2009/10: £0) recognised separately within 'other operating expenditure' within the Comprehensive Income and Expenditure Statement on page 29. Of the £15.8m transfer value, £14.8m was the value of the capital assets transferred; these assets have been removed from the Council's fixed asset register.

6. Agency income and expenditure

The Council is not involved in any formal agency arrangements, but as a result of Local Government Reorganisation, various services within Berkshire are provided by one authority on behalf of the others.

In aggregate, joint arrangements administered by various authorities (including some liabilities related to the activities of the former Berkshire County Council) cost £12.9m (2009/10: £11.7m). The Council administered £5.0m the (2009/10: 4.8m) of this total; the most significant joint arrangements run by the Council include:

Child Care Lawyers (£2.41m)
Coroners Service (£0.94m)
Berkshire Records Office (£0.82m)

7. Partnership schemes under Section 31 of the Health Act 1999

Section 31 of the Health Act (1999) enables the establishment of joint working arrangements between NHS bodies and local authorities. These pooled funds enable bodies to work together to address specific local health issues.

Currently the Council is involved in two partnership schemes:

- Community Equipment Service

The partnership is operated by the Ambulance Trust, with Slough Borough Council as the lead authority; there are 8 partners to the agreement - the six Berkshire Unitary Authorities and two Primary Care Trusts.

The partnership operates a central warehouse of equipment, which is loaned to clients to help them remain in their own homes, or speed their discharge from hospital. Equipment can range from walking sticks to special hydraulic beds.

In 2010/11, the gross expenditure was £2.8m (2009/10: £2.8m), to which the Council contributed £0.3m (2009/10: £0.28m)

- External Placements for Children

The Council is in a partnership agreement with Berkshire West PCT. The Council is the host body for the partnership, and as such has responsibility for the administration of the pool.

2009/10 £ '000		2010/11 £ '000
	<u>Funding</u>	
2,059	Reading Borough Council - general fund	2,266
2,961	Reading Borough Council - schools budget/sixth form funding	2,950
510	Berkshire West PCT	510
<u>5,530</u>		<u>5,726</u>
	<u>Expenditure</u>	
628	Social care placements	767
3,461	Education placements	3,926
2,535	Independent fostering	2,317
<u>6,624</u>		<u>7,010</u>
<u>1,094</u>	Net Deficit/(Surplus)	<u>1,284</u>

The purpose of the partnership is to commission services specifically for children residing in the Borough who are under 19 years of age and have been assessed with complex, multiple and high level needs and who require a placement outside of the Borough from voluntary or independent sector providers. This includes residential care education, agency foster care and incidental costs including therapy and support.

£976k of the deficit in 2010/11 is funded from the Dedicated Schools Grant, with the balance of £308k coming from the General Fund. A number of the current cases have gone to the Continuing Care Panel to establish whether these should be part funded by Berkshire West PCT, subject to meeting their funding criteria. At present no decision has been made by Berkshire West PCT, however the Council has taken the prudent position of funding these in full in 2010/11 financial year as noted above, given that the changes to the criteria are likely to mean on the balance of probability that they will not be funded by the PCT. The PCT have also served notice on the arrangement and in 2011/12 the pooled budget arrangement will cease.

8. Members' Allowances

Payments to members are made under the provisions of the Local Authorities (Members Allowances) (England) Regulations 2003. A breakdown of the amounts paid per member is available on the Council's website www.reading.gov.uk. In addition, Co-optees allowances are payable to non-Councillor members sitting on the Standards Committee, or any sub-committee set up by the Standards Committee.

The total amounts paid to Members and Co-opted officers during 2010/11 was £438,772 (2009/10: £456,831), split over the following categories:

2009/10		2010/11
£		£
376,054	Basic Allowance	376,677
75,442	Special Responsibility Allowance	59,405
26	Dependent Carer's Allowance	0
2,794	Travelling and Subsistence Allowance	475
2,515	Co-optees' Allowance	2,215
<u>456,831</u>		<u>438,772</u>

9. Officers' remuneration

The Corporate Management Team (CMT) is responsible for the day to day management and direction of the Authority. The remuneration paid to the members of CMT is as follows:

<u>Postholder information</u>	Salary (including fees and allowances)	Compensation for loss of office	Total Remuneration	Employer's pension contributions	Total remuneration including pension contributions
Chief Executive: Michael Coughlin	148,377	0	148,377	21,811	170,188
Director of Corporate Resources: ¹ Dave Peasley	109,564	0	109,564	180,518	290,082
Director of Education and Children's Services: Anna Wright	119,979	0	119,979	17,637	137,616
Director of Environment, Culture and Sport: ² Anita Cacchioli	38,326	143,723	182,049	5,634	187,683
Director of Environment, Culture and Sport: ³ Amar Dave	85,162	0	85,162	12,519	97,681
Director of Housing and Community Care: ⁴ Avril Wilson	89,412	0	89,412	13,144	102,555
Head of Policy, Performance and Community: Zoe Hanim	86,660	0	86,660	12,739	99,399
Head of Central Administration: ⁵ John Painter	76,683	0	76,683	61,731	138,414

Notes:

1. Dave Peasley opted for flexible retirement from 1st March 2011, the above Employer's Pension Fund contribution includes the one off cost of £165,025 payable to the Pension Fund as a result of the Personnel Committee's decision agreeing Mr Peasley's flexible retirement. From 1st March 2011 Mr Peasley's salary has reduced from £114,979 to £50,000 as part of the flexible retirement arrangements thereby generating an on-going saving of £86,000 pa (once Employer's National Insurance and Pension Fund contributions have been allowed for).
2. Anita Cacchioli left the organisation on 31st July 2010.
3. Amar Dave took over the post of Director of Environment, Culture and Sport on 1st August 2010, the figures above represent his salary at his previous level of Head of Culture from 1st April 2010 to 31st July 2010, and at his new level from 1st August 2010 to 31st March 2011.
4. Avril Wilson took over the post of Director of Housing and Community Care on 3rd May 2010, the figures above represent her salary at her previous level of Head of Housing from 1st April 2010 to 2nd May 2010, and at her new level from 3rd May 2010 to 31st March 2011.
5. John Painter is not a member of the CMT but as the Statutory Monitoring Officer normally attends CMT meetings. Personnel Committee agreed Mr Painter could take flexible retirement from 1st August 2011. The employer's pension contribution includes the one-off cost of £49,000, payable to the pension fund as a result of the Personnel Committee's decision. From 1st August, Mr Painter's salary will reduce to £20,000 (part time working) as part of the flexible retirement arrangement, thereby generating a saving to the Council of £70,000 per annum (once Employer's National Insurance and Pension Fund contributions have been allowed for).

Including the individuals disclosed above, the Council had the following numbers of employees paid more than £50,000 during the year:

2009/10			2010/11		
Total Staff Numbers	Remuneration band £	Total Staff Numbers	Non-schools	Schools	Compensation for loss of office
0	180,000 to 184,999	1	1	0	1
1	175,000 to 179,999	0	0	0	0
0	170,000 to 174,999	0	0	0	0
0	165,000 to 169,999	0	0	0	0
0	160,000 to 164,999	0	0	0	0
0	155,000 to 159,999	0	0	0	0
1	150,000 to 154,999	0	0	0	0
0	145,000 to 149,999	1	1	0	0
1	140,000 to 144,999	0	0	0	0
1	135,000 to 139,999	1	0	1	0
0	130,000 to 134,999	1	1	0	1
0	125,000 to 129,999	0	0	0	0
0	120,000 to 124,999	1	1	0	0
4	115,000 to 119,999	1	0	1	0
1	110,000 to 114,999	0	0	0	0
0	105,000 to 109,999	2	2	0	1
1	100,000 to 104,999	1	1	0	1
0	95,000 to 99,999	1	1	0	0
1	90,000 to 94,999	2	2	0	2
5	85,000 to 89,999	10	8	2	0
4	80,000 to 84,999	5	3	2	1
7	75,000 to 79,999	10	9	1	5
10	70,000 to 74,999	8	7	1	1
15	65,000 to 69,999	16	12	4	3
27	60,000 to 64,999	26	18	8	4
32	55,000 to 59,999	36	22	14	6
76	50,000 to 54,999	85	58	27	6
187		208	147	61	32
2009/10 comparatives:		187	114	73	7

As a result of the changes being implemented at the Authority as part of the Performance Improvement Programme Voluntary Change Scheme, there have been a number of individuals who have opted for the voluntary termination package that was offered. The figures above include these individuals when their total remuneration (including compensation payments for loss of office) exceeded £50,000; the numbers of individuals receiving payments for compensation for loss of office are included within the non-schools figures, rather than being in addition to them.

10. Related parties transactions

The Council is required to disclose material transactions in the year with related parties. Parties are considered to be related to the Council if either of the parties has the power (either through voting rights, family ties, or financially) to influence operational or financial policy decisions of the other.

The key personnel responsible for the major decisions of the Council are:

- Elected Members
- Chief Executive

- Members of the Corporate Management Team (details of these officers are set out in note 9)

Members are required to complete the Register of Members' Interests; a full copy of this is maintained and available to view during office hours). From the register, it has been identified that:

Four Councillors sit on the board of the Royal Berkshire Fire and Rescue Service,
One Councillor sits on the board of Thames Valley Police,
Five Councillors sit on the board of Readibus, a voluntary organisation grant funded by the Council.

Within the CMT, one Officer declared an interest in accordance with section 117 of the Local Government Act (1972). The husband of the Council's Director of Education and Children's Services is employed as a Director of Performance and Communication in the Young People's Learning Agency (YPLA). This role is internally focused to the YPLA, and does not determine funding for Local Authorities.

Central Government has an effective general control over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, provides a significant part of the Council's funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties. Details of the transactions with Government departments are set out within the segmental reporting (page 4), capital and revenue grants (note 29), and details of capital expenditure (note 18).

The Council has substantial interests in 4 companies (Reading Transport Limited and the three companies making up REDCO group) - full details of the Council's interest in Reading Transport are set out in the Group Accounts (pages 87 to 101). Included within the Council's 'Cost of Services' line within the Comprehensive Income and Expenditure Statement is £3.6m expenditure that the Council has incurred with RTL, and £0.1m of income with the company.

11. Dedicated Schools Grant

Since 2006/07, school funding has been provided to Local Authorities by means of a ring-fenced grant from the Department for Education. The split between individual schools is by a formula agreed by local schools through the Schools' Forum; the Forum also agrees the split between the total amount devolved to schools and the amount retained by the Council for central expenditure.

Details of the deployment of DSG receivable in 2010/11 are as follows:

	Central Expenditure	ISB*	Total
Final DSG for 2010/11			71,517
Brought forward from 2009/10			(321)
Carry forward into 2011/12 already agreed			0
Agreed budget distribution in 2010/11			71,196
less actual central expenditure	13,616		13,616
Less actual ISB deployed to schools		58,071	58,071
Plus Local Authority contributions for 2010/11	0	0	0
Carry forward into 2011/12	13,616	58,071	142,883

* ISB is the individual schools budget, the above figures show the total devolved to all Local Authority schools within the Borough

12. Audit fees

The amounts paid by the Council to the external auditors (KPMG) and to the Audit Commission are as follows:

2009/10 £ '000		2010/11 £ '000
253	Fees payable to KPMG for external audit services	260
21	Fees payable in respect of statutory inspections	6
39	Fees payable for the certification of grant claims and returns	40
<u>313</u>		<u>306</u>

13. Amounts shown in the Movements in Reserves Statement

The statement below details the adjustments made to the Council's General Fund and Housing Revenue Account for the year to account for the differences between proper accounting practice and amounts that are allowed to debited or credited under statute, and any transfers to or from reserves. The reserves are split into either general reserves (those available to fund the day to day operations of the Council, and its capital works) and unusable reserves (funds that are not available for this purpose):

2009/10 Movement in Reserves - General reserves

	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Earmarked HRA Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total General Reserves
	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000
Balance at 31 March 2009	11,193	27,205	8,698	6,200	219	0	2,211	55,726
Surplus/(deficit) on provision of services	(21,416)		(12,841)					(34,257)
Surplus/(deficit) on revaluation of non-current assets								0
Actuarial gains/(losses) on pension assets/liabilities								0
Contribution to unfunded pension benefits								0
Other gains/(losses)								0
Total comprehensive income & expenditure	(21,416)	0	(12,841)	0	0	0	0	(34,257)
Adjustments between accounting basis and funding basis under regulations								
Depreciation and impairment of non current assets	60,145							60,145
Excess of depreciation charged to HRA over the Major Repairs Allowance element of housing subsidy			12,818			6,087		18,905
Capital grants and contributions credited to the Comprehensive Income & Expenditure Account	(59,384)		0				2,551	(56,833)
Revenue expenditure funded from capital by statute	12,197		0					12,197
Net gain/(loss) on sale of non-current assets	(281)	506	391		992			1,608
Amount by which finance costs calculated in accordance with the Code are different from the amount of finance costs calculated in accordance with statutory requirements		1,133						1,133
Amounts by which pension costs calculated in accordance with the Code are different from the contributions due under the pension scheme regulations	7,563	739	611					8,913
Amount by which council tax income included in the Comprehensive Income & Expenditure Account is different from the amount taken to the General Fund in accordance with regulation	(429)							(429)
Statutory provision for repayment of debt	(6,242)	47	293					(5,902)
Capital expenditure charged to the General Fund Balance	(187)							(187)
Transfer from Capital Receipts Reserve equal to the amount payable into the Housing Capital Receipts Pool	974				(974)			0
Transfer to/(from) earmarked reserves required by legislation	3,468		1			(6,087)		(2,618)
Adjustments between accounting basis and funding basis under regulations	17,824	2,425	14,114	0	18	0	2,551	36,932
Net (increase)/decrease before transfers to earmarked reserves	(3,592)	2,425	1,273	0	18	0	2,551	2,675
Transfer to/(from) earmarked reserves	1,664	(1,615)	(749)	700	0	0	0	0
(Increase)/decrease in year	(1,928)	810	524	700	18	0	2,551	2,675
Balance at 31 March 2010	9,265	28,015	9,222	6,900	237	0	4,762	58,401

2009/10 Movement in Reserves - Unusable reserves

	Revaluation Reserve	Capital Adjustment Account	Financial Instruments Adjustment Account	Equal Pay Backpay	Deferred Capital Receipts	Pension Reserve	Collection Fund Adjustment Account	Accumulated Absences	Total Unusable Reserves
	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000
Balance at 31 March 2009	73,495	545,682	2,457	0	1,626	(122,505)	(860)	(3,116)	496,779
Surplus/(deficit) on provision of services									0
Surplus/(deficit) on revaluation of non-current assets	(403)								(403)
Actuarial gains/(losses) on pension assets/liabilities						(116,274)			(116,274)
Contribution to unfunded pension benefits						739			739
Other gains/(losses)							(429)		(429)
Total comprehensive income & expenditure	(403)	0	0	0	0	(115,535)	(429)	0	(116,367)
Adjustments between accounting basis and funding basis under regulations									
Depreciation and impairment of non current assets	(1,298)	(58,847)							(60,145)
Excess of depreciation charged to HRA over the Major Repairs Allowance element of housing subsidy	(447)	(18,458)							(18,905)
Capital grants and contributions credited to the Comprehensive Income & Expenditure Account		56,833							56,833
Revenue expenditure funded from capital by statute		(12,197)							(12,197)
Net gain/(loss) on sale of non-current assets	(2,856)	1,488			(240)				(1,608)
Amount by which finance costs calculated in accordance with the Code are different from the amount of finance costs calculated in accordance with statutory requirements			(1,133)						(1,133)
Amounts by which pension costs calculated in accordance with the Code are different from the contributions due under the pension scheme regulations						(8,913)			(8,913)
Amount by which council tax income included in the Comprehensive Income & Expenditure Account is different from the amount taken to the General Fund in accordance with regulation							429		429
Statutory provision for repayment of debt		5,902							5,902
Capital expenditure charged to the General Fund Balance		187							187
Transfer from Capital Receipts Reserve equal to the amount payable into the Housing Capital Receipts Pool									0
Transfer to/(from) earmarked reserves required by legislation		6,087		(3,000)				(469)	2,618
Adjustments between accounting basis and funding basis under regulations	(4,601)	(19,005)	(1,133)	(3,000)	(240)	(8,913)	429	(469)	(36,932)
Net (increase)/decrease before transfers to earmarked reserves	(5,004)	(19,005)	(1,133)	(3,000)	(240)	(124,448)	0	(469)	(153,299)
Transfer to/(from) earmarked reserves									0
(Increase)/decrease in year	(5,004)	(19,005)	(1,133)	(3,000)	(240)	(124,448)	0	(469)	(153,299)
Balance at 31 March 2010	68,491	526,677	1,324	(3,000)	1,386	(246,953)	(860)	(3,585)	343,480

2010/11 Movement in Reserves - General Reserves

	General Fund Balance £ '000	Earmarked General Fund Reserves £ '000	Housing Revenue Account £ '000	Earmarked HRA Reserves £ '000	Capital Receipts Reserve £ '000	Major Repairs Reserve £ '000	Capital Grants Unapplied £ '000	Total General Reserves £ '000
Balance at 31 March 2010	9,265	28,015	9,222	6,900	237	0	4,762	58,401
Surplus/(deficit) on provision of services	8,136		(84,723)					(76,587)
Surplus/(deficit) on revaluation of non-current assets								0
Actuarial gains/(losses) on pension assets/liabilities								0
Contribution to unfunded pension benefits								0
Other gains/(losses)								0
Total comprehensive income & expenditure	8,136	0	(84,723)	0	0	0	0	(76,587)
Adjustments between accounting basis and funding basis under regulations								
Depreciation and impairment of non current assets	37,109		86,900					124,009
Excess of depreciation charged to HRA over the Major Repairs Allowance element of housing subsidy			1,109			2,977		4,086
Capital grants and contributions credited to the Comprehensive Income & Expenditure Account	(23,564)	(79)					1,729	(21,914)
Revenue expenditure funded from capital by statute	5,116							5,116
Net gain/(loss) on sale of non-current assets	200	(64)	(114)		330			352
Amount by which finance costs calculated in accordance with the Code are different from the amount of finance costs calculated in accordance with statutory requirements		(77)						(77)
Amounts by which pension costs calculated in accordance with the Code are different from the contributions due under the pension scheme regulations	(29,846)	1,380	(2,544)					(31,010)
Amount by which council tax income included in the Comprehensive Income & Expenditure Account is different from the amount taken to the General Fund in accordance with regulation	(645)							(645)
Statutory provision for repayment of debt	(7,288)	51	(384)					(7,621)
Capital expenditure charged to the General Fund Balance	(134)							(134)
Transfer from Capital Receipts Reserve equal to the amount payable into the Housing Capital Receipts Pool	453				(453)			0
Transfer to/(from) earmarked reserves required by legislation	23		22			(2,977)		(2,932)
Adjustments between accounting basis and funding basis under regulations	(18,576)	1,211	84,989	0	(123)	0	1,729	69,230
Net (increase)/decrease before transfers to earmarked reserves	(10,440)	1,211	266	0	(123)	0	1,729	(7,357)
Transfer to/(from) earmarked reserves	9,805	(12,680)	(705)	700				(2,880)
Increase/(decrease) in year	(635)	(11,469)	(439)	700	(123)	0	1,729	(10,237)
Balance at 31 March 2011	8,630	16,546	8,783	7,600	114	0	6,491	48,164

2010/11 Movement in Reserves - Unusable Reserves

	Revaluation Reserve £ '000	Capital Adjustment Account £ '000	Financial Instruments Adjustment Account £ '000	Equal Pay Backpay £ '000	Deferred Capital Receipts £ '000	Pension Reserve £ '000	Collection Fund Adjustment Account £ '000	Accumulated Absences £ '000	Total Unusable Reserves £ '000
Balance at 31 March 2010	68,491	526,677	1,324	(3,000)	1,386	(246,953)	(860)	(3,585)	343,480
Surplus/(deficit) on provision of services									0
Surplus/(deficit) on revaluation of non-current assets	(3,529)								(3,529)
Actuarial gains/(losses) on pension assets/liabilities						71,666			71,666
Contribution to unfunded pension benefits						935			935
Other gains/(losses)							430		430
Total comprehensive income & expenditure	(3,529)	0	0	0	0	72,601	430	0	69,502
Adjustments between accounting basis and funding basis under regulations									
Depreciation and impairment of non current assets	(1,873)	(122,136)							(124,009)
Excess of depreciation charged to HRA over the Major Repairs Allowance element of housing subsidy	(14)	(4,072)							(4,086)
Capital grants and contributions credited to the Comprehensive Income & Expenditure Account		21,914							21,914
Revenue expenditure funded from capital by statute		(5,116)							(5,116)
Net gain/(loss) on sale of non-current assets	(974)	860			(238)				(352)
Amount by which finance costs calculated in accordance with the Code are different from the amount of finance costs calculated in accordance with statutory requirements			77						77
Amounts by which pension costs calculated in accordance with the Code are different from the contributions due under the pension scheme regulations						31,010			31,010
Amount by which council tax income included in the Comprehensive Income & Expenditure Account is different from the amount taken to the General Fund in accordance with regulation							645		645
Statutory provision for repayment of debt		7,621							7,621
Capital expenditure charged to the General Fund Balance		134							134
Transfer from Capital Receipts Reserve equal to the amount payable into the Housing Capital Receipts Pool									0
Transfer to/(from) earmarked reserves required by legislation		2,977						(45)	2,932
Adjustments between accounting basis and funding basis under regulations	(2,861)	(97,818)	77	0	(238)	31,010	645	(45)	(69,230)
Net (increase)/decrease before transfers to earmarked reserves	(6,390)	(97,818)	77	0	(238)	103,611	1,075	(45)	272
Transfer to/(from) earmarked reserves	(2,837)	2,717		3,000					2,880
Increase/(decrease) in year	(9,227)	(95,101)	77	3,000	(238)	103,611	1,075	(45)	3,152
Balance at 31 March 2011	59,264	431,576	1,401	0	1,148	(143,342)	215	(3,630)	346,632

14. General Reserves

The general reserves of the Council can be used to finance the Council day-to-day operations of the Council, and its capital activities. Details of the in-year movements are set out in note 13, page 48. A number of reserves are earmarked for specific purposes; the movements in year for these are shown below:

	Balance at 31st March 2009	Movement in year	Balance at 31st March 2010	Movement in year	Balance at 31st March 2011
<u>Earmarked Reserves</u>					
BCC Liabilities Reserve Account	70	279	349	(349)	0
General Fund Reserve Account	93	3	96	(8)	88
LEA retained DSG	(188)	(204)	(392)	(106)	(498)
Legal and Taxation Reserve	1,000	(250)	750	(500)	250
North Whitley PFI	6,200	700	6,900	700	7,600
Organisational Change	500	2,900	3,400	(2,100)	1,300
Pension Liabilities	1,000	0	1,000	0	1,000
Property Liabilities	1,300	(1,000)	300	0	300
Prudential reserve	4,400	(127)	4,273	(3,120)	1,153
Repayment of grants reserve	1,250	(300)	950	(700)	250
Self insurance	4,746	146	4,892	22	4,914
Transforming services	1,513	78	1,591	(591)	1,000
Pay and reward	2,175	(2,175)	0	0	0
Emergency Planning	0	300	300	0	300
Area Based Grant (ABG) reserve	0	250	250	(250)	0
Revenue Grant Unapplied Reserve	0	10,256	10,256	(3,767)	6,489
	<u>24,059</u>	<u>10,856</u>	<u>34,915</u>	<u>(10,769)</u>	<u>24,146</u>

15. Unusable Reserves

The unusable reserves of the Council are as follows:

2008/09 £ '000	2009/10 £ '000		2010/11 £ '000
73,495	68,491	Revaluation Reserve	59,264
(122,505)	(246,954)	Pensions Reserve	(143,343)
545,682	526,678	Capital Adjustment Account	431,576
1,626	1,386	Deferred Capital Receipts	1,148
2,457	1,324	Financial Instruments Adjustment Account	1,401
(860)	(860)	Collection Fund Adjustment Account	215
0	(3,000)	Unequal Backpay Account	0
(3,116)	(3,585)	Short term Accumulating Compensated Absences Account	(3,630)
<u>496,779</u>	<u>343,480</u>		<u>346,631</u>

These reserves have primarily arisen as a result of accounting treatments that the Council has to follow as a result of the Code (and its predecessor document, the SORP). These sums are not available to finance the operations of the Council.

- Revaluation Reserve

2009/10 £ '000		2010/11 £ '000	2010/11 £ '000
73,495	Balance at 1st April		68,491
5,589	Upward revaluation of assets	24,114	
(6,571)	Downward revaluation of assets and impairment losses not charged to the Comprehensive Income and Expenditure Statement	(23,192)	
(1,745)	Difference between fair value depreciation and historic cost depreciation	(1,887)	
(2,277)	Accumulated gains on assets disposed of	(5,425)	
<u>(5,004)</u>	Surplus or deficit on revaluation of non-current assets not posted to the Comprehensive Income and Expenditure Statement		(6,390)
0	Assets transferred to/from Investment properties	(2,837)	
<u>0</u>	Amount written off to the Capital Adjustment Account		(2,837)
<u>68,491</u>	Balance at 31st March		<u>59,264</u>

The revaluation reserve carries the gains and losses that have occurred as a result of changes in the value of the Council's Property holdings. The Reserve was introduced as a result of the changes to Local Government Capital Accounting, effective from 1st April 2007

- Pension Reserve

Full details of the movement in the Pension Reserve are given in note 24, page 66. The Pensions Reserve adjusts for the timing difference that arises between accounting for post-employment benefits and accounting for pension schemes according with statutory provisions. Whilst the Reserve shows a significant deficit, statutory arrangements ensure that funding will have been set aside by the time the benefits come to be paid

2009/10 £ '000		2010/11 £ '000
(122,505)	Balance at 1st April	(246,953)
(116,274)	Actuarial gains and losses on scheme assets and liabilities	71,665
(19,292)	Reversal of charges to the Comprehensive Income and Expenditure Statement	20,245
11,118	Employers pension contributions	11,700
<u>(246,953)</u>	Balance at 31st March	<u>(143,343)</u>

- Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions.

2009/10 £ '000		2010/11 £ '000	2010/11 £ '000
545,682	Balance at 1st April		526,677
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(77,305)	Charges for depreciation and impairment of non-current assets	(126,208)	
	Revaluation losses on PPE		
	Amortisation of intangible assets		
(12,197)	Revenue expenditure funded from capital under stature	(5,116)	
1,488	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	860	
(88,014)			(130,464)
	Adjusting amounts written out of the Revaluation Reserve		2,717
(88,014)	Net written out amount of the cost of non-current assets consumed in year		(127,747)
	Capital financing applied in year:		
	Use of the capital receipts reserve		
6,087	Use of the Major repairs reserve	2,977	
56,833	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement which have been applied to capital expenditure	21,914	
	Application of grants to capital financing from the Capital Grants Unapplied Account		
5,902	Statutory provision for the financing of capital investment charged against the General Fund and HRA balance	7,621	
187	Capital expenditure charged against the General Fund and HRA balances	134	
69,009			32,646
	Movement in the market of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		
<u>526,677</u>	Balance at 31st March		<u>431,576</u>

- Deferred Capital Receipts

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets for which cash settlement has not yet taken place. The most

significant items recognised within the reserve is a loan made to RTL, which is being repaid over 10 years.

2009/10 £ '000		2010/11 £ '000
1,626	Balance at 1st April	1,386
(240)	Transfer to Capital receipts reserve on receipt of cash	(238)
<u>1,386</u>	Balance at 31st March	<u>1,148</u>

- Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains in accordance with statutory provisions.

2009/10 £ '000		2010/11 £ '000
2,457	Balance at 1st April	1,324
(1,084)	Premia incurred in year and charged to Comprehensive Income and Expenditure Statement	1
(50)	Proportion of premia incurred in previous years to be charged against the General Fund balance in accordance with statutory requirements	75
<u>(1,133)</u>	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement differ from finance costs chargeable in the year in accordance with statutory requirements	<u>77</u>
<u>1,324</u>	Balance at 31st March	<u>1,401</u>

- Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax income in the Comprehensive Income and Expenditure Statement against the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2009/10 £ '000		2010/11 £ '000
(860)	Balance at 1st April	(860)
429	Amount by which Council Tax credited to the Comprehensive Income and Expenditure Statement is different from Council Tax calculated for the year in accordance with statutory requirements	645
(429)	Amount recognised within Other comprehensive income and expenditure within the Comprehensive Income and Expenditure Statement	430
<u>(860)</u>	Balance at 31st March	<u>215</u>

- Equal Pay Backpay Account

2009/10 £ '000		2010/11 £ '000
0	Balance at 1st April	3,000
3,000	Increase/ (decrease) in provision for back pay in relation to Equal Pay cases	(3,000)
0	Cash settlements paid in the year	0
<u>3,000</u>	Balance at 31st March	<u>0</u>

- Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund and HRA balance as a result of accruing for compensated absences earned but not taken as at 31st March, for example annual leave entitlements. Statutory arrangements require that the impact on the General Fund and HRA balance is neutralised by transfers to or from the Account.

2008/09 £ '000	2009/10 £ '000		2010/11 £ '000
0	(3,116)	Balance at 1st April	(3,585)
0	3,116	Settlement or cancellation of accrual made at the end of the preceding year	3,585
(3,116)	(3,585)	Amounts accrued at the end of the current year	(3,630)
<u>(3,116)</u>	<u>(3,585)</u>	Balance at 31st March	<u>(3,630)</u>

16. Fixed Assets

All expenditure on capital assets during the year have been included under "additions" in the following table, although some items have been fully depreciated or impaired in the year. In accordance with the accounting policies set out in note 1, page 32, all fixed assets (except investment properties) are revalued on a five-year rolling programme, with the effective date of revaluations being 1st April of the financial year. Investment properties are revalued on an annual basis. The valuations were undertaken by Bruce Tindall, the Head of Development, who is a member of the Royal Institute of Chartered Surveyors.

There have been no changes in accounting estimates that have had an effect during 2010/11, and none are currently expected to have an effect in 2011/12.

	Dwellings £ '000	Other land and Buildings £ '000	Vehicles, Plant and Equipment £ '000	Infrastructure assets £ '000	Community Assets £ '000	Assets under construction £ '000	Investment properties £ '000	Assets held for sale (> 1 yr) £ '000	Total £ '000
Gross Book value at 1st April 2009	509,600	320,216	23,743	156,443	10,056	7,399	39,023	15,030	1,081,510
Additions	10,167	9,840	7,892	41,392	1,784	652	28	9	71,764
Disposals	(1,073)	0	0	0	0	0	0	0	(1,073)
Reinstatements	0	0	0	0	0	0	0	0	0
Revaluations	90	5,499	0	0	0	0	2,133	0	7,722
Assets written out	(12,745)	844	(3,556)	0	(462)	0	0	0	(15,919)
Movements or transfers	0	2,788	(15)	0	0	(2,288)	0	(1,658)	(1,173)
Gross Book value at 31st March 2010	506,039	339,187	28,064	197,835	11,378	5,763	41,184	13,381	1,142,831
Accumulated Depreciation at 1st April 2009	(19,876)	(61,545)	(13,292)	(22,299)	(1,007)	0	0	(44)	(118,063)
Depreciation charge for the year	(5,133)	(6,327)	(5,630)	(4,877)	0	0	0	0	(21,967)
Depreciation relating to disposals	0	0	0	0	0	0	0	0	0
Depreciation on assets written out	10,075	7,901	3,513	0	463	0	0	0	21,952
Adjustment to depreciation for movements or transfers	0	0	0	0	0	0	0	43	43
Accumulated Depreciation at 31st March 2010	(14,934)	(59,971)	(15,409)	(27,176)	(544)	0	0	(1)	(118,035)
Accumulated Valuation losses at 1st April 2009	(20,685)	0	0	0	(561)	0	0	0	(21,246)
Losses charged for the year	(6,369)	0	0	0	0	0	0	0	(6,369)
Losses on disposals	0	0	0	0	0	0	0	0	0
Losses on assets written out	0	0	0	0	0	0	0	0	0
Adjustment to impairments for movements or transfers	0	0	0	0	0	0	0	0	0
Accumulated valuation losses at 31st March 2010	(27,054)	0	0	0	(561)	0	0	0	(27,615)
Accumulated Impairment at 1st April 2009	(45,155)	(17,777)	(653)	0	(128)	0	0	(633)	(64,346)
Impairments charged for the year	(10,993)	(31,872)	(327)	0	(995)	0	(12,035)	(484)	(56,706)
Impairments on disposals	0	0	0	0	0	0	0	0	0
Impairments on assets written out	0	(9,262)	157	0	0	0	0	0	(9,105)
Adjustment to impairments for movements or transfers	0	0	15	0	0	0	0	112	127
Accumulated Impairment at 31st March 2010	(56,148)	(58,911)	(808)	0	(1,123)	0	(12,035)	(1,005)	(130,030)
Net book value as at 31st March 2010	407,903	220,305	11,847	170,659	9,150	5,763	29,149	12,375	867,151

	Dwellings £ '000	Other land and Buildings £ '000	Vehicles, Plant and Equipment £ '000	Infrastructure assets £ '000	Community Assets £ '000	Assets under construction £ '000	Investment properties £ '000	Assets held for sale (> 1 yr) £ '000	Total £ '000
Gross Book value at 1st April 2010	506,039	339,187	28,064	197,835	11,378	5,763	41,184	13,381	1,142,831
Additions	6,609	8,830	4,662	14,990	873	5	63	0	36,032
Disposals	(298)	0	0	0	0	0	(535)	0	(833)
Reinstatements	40	0	0	0	0	0	0	0	40
Revaluations	569	23,545	0	0	0	0	940	0	25,054
Assets written out	(8,081)	(24,749)	(4,596)	0	6	0	0	0	(37,420)
Movements or transfers	0	(17,509)	(589)	0	0	0	1,068	(13,380)	(30,410)
Gross Book value at 31st March 2011	504,878	329,304	27,541	212,825	12,257	5,768	42,720	1	1,135,294
Accumulated Depreciation at 1st April 2010	(14,934)	(59,971)	(15,409)	(27,176)	(544)	0	0	(1)	(118,035)
Depreciation charge for the year	(3,923)	(6,394)	(5,652)	(5,171)	0	0	0	0	(21,140)
Depreciation relating to disposals	0	0	0	0	0	0	0	0	0
Depreciation on assets written out	5,133	1,389	4,436	0	0	0	0	0	10,958
Adjustment to depreciation for movements or transfers	0	14,610	181	0	0	0	0	0	14,791
Accumulated Depreciation at 31st March 2011	(13,724)	(50,366)	(16,444)	(32,347)	(544)	0	0	(1)	(113,426)
Accumulated Valuation losses at 1st April 2009	(27,054)	0	0	0	(561)	0	0	0	(27,615)
Losses charged for the year	(101,213)	0	0	0	0	0	0	0	(101,213)
Losses on disposals	90	0	0	0	0	0	0	0	90
Losses on assets written out	902	0	0	0	0	0	0	0	902
Adjustment to impairments for movements or transfers	0	0	0	0	0	0	0	0	0
Accumulated Impairment at 31st March 2010	(127,275)	0	0	0	(561)	0	0	0	(127,836)
Accumulated Impairment at 1st April 2010	(56,148)	(58,911)	(808)	0	(1,123)	0	(12,035)	(1,005)	(130,030)
Impairments charged for the year	(5,783)	(6,836)	(195)	0	(149)	0	251	0	(12,712)
Impairments on disposals	0	0	0	0	0	0	0	0	0
Impairments on assets written out	0	3,874	57	0	5	0	0	0	3,936
Adjustment to impairments for movements or transfers	0	0	0	0	0	0	328	1,005	1,333
Accumulated Impairment at 31st March 2011	(61,931)	(61,873)	(946)	0	(1,267)	0	(11,456)	0	(137,473)
Net book value as at 31st March 2011	301,948	217,065	10,151	180,478	9,885	5,768	31,264	0	756,559

17. Intangible assets

The primary intangible assets recognised by the Council are purchased software and software licences; these are amortised over the life of the assets (2 to 5 years), with the charges going to the relevant service line within the Net Cost of Service in the Comprehensive Income and Expenditure Statement.

The movements in year on the balance sheet carrying value of intangible assets are as follows:

2008/09 £ '000	2009/10 £ '000		2010/11 £ '000
462	715	Gross book value at 1st April	1,033
(98)	(241)	Accumulated Amortisation at 1st April	(460)
<u>364</u>	<u>474</u>	Net book value at 1st April	<u>573</u>
253	318	Acquisitions	191
(143)	(219)	Amortisation	(271)
<u>474</u>	<u>573</u>	Net book value at 31st March	<u>493</u>

There have been no changes in accounting estimates that have impacted on the Council's intangible assets, and no individual asset is material to the Council's accounts on its own.

18. Capital expenditure

The total capital expenditure for the year (including expenditure on finance leases and PFI assets) is shown in the table below, along with the sources of financing used to fund it. Where capital expenditure is financed through borrowing, the expenditure results in an increase in the Capital Financing requirement (CFR), the movement of which in the year is shown in the second part of the note below.

2008/09 £ '000	2009/10 £ '000		2010/11 £ '000
204,040	239,461	Opening Capital Financing requirement	257,460
		Capital investment:	
11,855	14,831	School Improvements	5,316
3,791	1,888	School Construction Works	1,148
38,967	41,622	Road & Transport Projects	15,135
8,753	2,963	Other Buildings & Developments	3,556
877	921	Housing Renovation Grants	1,067
908	936	Social Housing Grants	2,253
2,939	2,960	Business Transformation	2,458
431	1,478	Vehicles and related equipment	366
7,794	2,272	Waste PFI capital expenditure	0
7,939	10,431	Council Housing	7,079
3,295	3,977	Other (Environmental, Leisure and Crime Reduction)	2,984
<u>87,549</u>	<u>84,279</u>		<u>41,362</u>
		Sources of finance:	
(1,445)	(3,175)	Capital receipts	(1,810)
(46,115)	(56,831)	Government grants and other contributions	(21,914)
(219)	(187)	Sums set aside from revenue	(134)
(4,349)	(6,087)	Major Repairs Reserve	(2,977)
<u>(52,128)</u>	<u>(66,280)</u>		<u>(26,835)</u>
<u>239,461</u>	<u>257,460</u>	Closing Capital Financing requirement	<u>271,987</u>
		Movements in year:	
27,627	15,727	Borrowing	14,527
7,794	2,272	Assets acquired under PFI contracts	0
<u>35,421</u>	<u>17,999</u>	Increase/(decrease) in CFR	<u>14,527</u>

19. Leases**Council as the lessee***- Finance leases*

The Council has a number of pre-existing vehicle leases that under the SORP were treated as operating leases, but that under the Code must be treated as finance leases. The assets acquired under these leases are carried as property, plant and equipment in the balance sheet at the following net amounts:

2008/09 £'000	2009/10 £'000		2010/11 £'000
608	483	Vehicles	353
<u>608</u>	<u>483</u>		<u>353</u>

The Council is committed to making minimum payments under these leases comprising the settlement of the long term liability for the use of the vehicles, and the finance costs that will be payable by the authority.

The payments are made up of the following amounts:

2008/09 £'000	2009/10 £'000		2010/11 £'000
		Finance lease liabilities recognised on balance sheet:	
125	131	Current (due within one year)	138
483	352	Non-current (due after one year)	215
295	199	Total finance costs payable in future years	118
<u>903</u>	<u>682</u>	Total due	<u>471</u>

The minimum payments will be payable over the following periods:

2008/09 £'000		2009/10 £'000			2010/11 £'000	
Minimum Lease	Finance costs	Minimum Lease	Finance costs		Minimum Lease	Finance costs
125	96	131	81	Payments due within 1 year	138	62
483	199	352	118	Payments due between 1 to 5 years	215	56
0	0	0	0	Payments due later than 5 years	0	0
<u>608</u>	<u>295</u>	<u>483</u>	<u>199</u>		<u>353</u>	<u>118</u>

-Operating leases

The Council leases a number of buildings and vehicles through operating leases. The costs of these leases are charged in full to the relevant service area in the Comprehensive Income and Expenditure Statement. The future minimum lease payments due in future years are:

2009/10 £'000		2010/11 £'000
24	Payments due within one year	11
22	Payments due later than one year and not later than five years	11
<u>46</u>	Total due	<u>22</u>

Council as the lessor*- Finance leases*

The Council has no assets that it leases out under a finance lease

- Operating leases

The Council leases out a number of buildings, facilities and pieces of land to businesses, charities and individuals. The minimum lease payments receivable in the future are:

2009/10 £'000		2010/11 £'000
1,858	Payments due within one year	1,828
6,885	Payments due later than one year and not later than five years	6,641
5,339	Payments due later than five years	5,156
<u>14,082</u>	Total due	<u>13,625</u>

20. PFI schemes

The Council is involved in two PFI schemes, with WRG, Bracknell Forest Borough Council, and Wokingham Borough Council for the shared Waste PFI, and with Affinity (Reading) Limited for the North Whitley Housing PFI scheme.

- North Whitley Housing PFI scheme

On 31st March 2004, the Council completed a PFI contract for the management and maintenance of 1,374 dwellings for a 30-year period starting from 10th May 2004. There are no significant termination or renewal options within the contract.

Assessment under IFRIC 12 in 2009/10, resulted in the assets, valued at £40m and a liability of £27m as at 31st March 2011, for the future payments being included on the Council's balance sheet. The in-year movements for these assets and liabilities are as follows:

	Balance sheet liability £ '000	Scheme Assets £ '000	Net £ '000
1st April 2010 Balance brought forward	(27,375)	54,837	27,462
Revaluations	0	(14,017)	(14,017)
Depreciation and Impairment	0	(800)	(800)
Repayment of liability	384	0	384
31st March 2011 Balance carried forward	<u>(26,991)</u>	<u>40,020</u>	<u>13,029</u>

Future payments to Affinity (Reading) are dependent on performance targets being met; however, if these targets are met, estimated payments due to the Company over the remainder of the contract are as follows:

31 March 2010			As at 31st March 2011		
Total		Liability	Interest	Service Cost	Total
£ '000		£ '000	£ '000	£ '000	£ '000
	Due within:				
6,552	1 year	371	2,279	4,099	6,749
28,233	2 to 5 years	1,085	8,918	19,077	29,080
40,326	6 to 10 years	3,022	10,256	28,257	41,535
45,900	11 to 15 years	4,648	8,712	33,076	46,436
46,708	16 to 20 years	9,150	6,220	31,338	46,708
37,894	21 years plus	8,715	1,565	18,272	28,552
205,613	Total	26,991	37,950	134,119	199,060

- *Waste PFI scheme*

In 2006/07 the Council, along with Wokingham and Bracknell Forest Borough Councils, entered into a PFI contract with WRG (RE3 Ltd) for the disposal of waste, which expires in 2031/32. As part of the contract, WRG have built a waste transfer station, materials recycling facility, civic amenity site and offices on Council-owned land at Smallmead. At the end of the contract, ownership of the assets will revert to the Councils on whose land the facilities have been built. The total value of the future payments, modelled at financial close, was estimated to be £611m, to be shared between the three authorities based on their relative waste throughputs. Actual payments will depend on the contractor's performance, as well as the individual Council's waste collection.

As a result of the 2009/10 assessment of this scheme under IFRIC 12, buildings valued at £7.9m and plant valued at £1.6m were brought onto the Council's balance sheet, reflecting the Council's share of the total scheme assets. A corresponding long term liability to WRG was also recognised. The movements relating to this scheme during 2010/11 are as follows:

	Scheme Assets			
	Balance sheet liability	Other land and buildings	Vehicle, plant and equipment	Net
	£ '000	£ '000	£ '000	£ '000
1st April 2010 Balance brought forward	(8,713)	7,963	1,624	874
Depreciation and Impairment	0	(282)	(112)	(394)
Repayment of liability	247	0	0	247
31st March 2011 Balance carried forward	(8,466)	7,681	1,512	727

The payments that the Council will have to make to WRG under the Waste PFI contract, split between the repayment of liabilities, service charges and interest are shown below. These costs are based on estimates of the future value of the cash payments that will be made, assuming RPI is consistently at 2.5%.

31 March 2010			As at 31st March 2011		
Total		Liability	Interest	Service Cost	Total
£ '000		£ '000	£ '000	£ '000	£ '000
	Due within:				
7,756	1 year	266	558	7,140	7,964
32,936	2 to 5 years	912	2,079	30,941	33,932
47,271	6 to 10 years	1,550	2,194	44,747	48,491
53,862	11 to 15 years	2,180	1,576	51,609	55,365
61,806	16 to 20 years	3,071	705	59,733	63,509
22,889	21 years plus	487	16	9,001	9,504
<u>226,520</u>	Total	<u>8,466</u>	<u>7,128</u>	<u>203,171</u>	<u>218,765</u>

21. Investment Properties

The Council owns a number of assets that are held either for the rental income that they generate, or for capital appreciation of the asset. These assets are solely held for the generation of income for the Council, and provide no service benefits to the Council; as a result, these assets are recognised as investment properties in the Council's balance sheet.

Rental income and revaluation gains recognised in the Comprehensive Income and Expenditure Statement under the 'investment income' heading for the year are as follows:

2009/10		2010/11
£'000		£'000
(1,200)	Rental income from investment properties	(1,213)
131	Direct operating expenses arising from investment properties	136
9,902	Revaluation (gains)/losses on investment properties	(1,191)
<u>8,833</u>		<u>(2,268)</u>

This includes costs that the Council is obliged to meet as part of its duties as the landlord of the property.

22. Inventories

The levels of stock held by the Council, and the areas to which it relates are as follows:

2008/09	2009/10		2010/11
£ '000	£ '000		£ '000
102	66	ENCAS	87
0	100	Building Maintenance	92
14	12	Other	12
<u>116</u>	<u>178</u>		<u>191</u>

23. Debtors

The outstanding debtors due within one recognised by the Council at the 31st March, net of impairments for bad debts, were:

2008/09 £ '000	2009/10 £ '000		2010/11 £ '000
12,833	13,316	Central Government Bodies	7,751
1,645	2,414	Other Local Authorities	1,839
194	24	NHS Bodies	132
0	2	Public corporations and trading funds	0
17,781	13,948	Other entities and individuals (including rent arrears, Council Tax and trade debtors)	35,518
32,453	29,704		45,240

24. Post-employment benefits

The Council contributes to two pension schemes: the Local Government Pension Scheme, and the Teachers Pension Scheme; details of contributions and scheme performance are set out in notes i and ii below.

i. Teachers Pension Scheme

The Council makes payments to the Teachers Pension Scheme, a contributory scheme run by Teachers' Pensions on behalf of the Department for Education. It is classified as a defined contribution scheme as it does not allow the identification of liabilities consistently and reliably between participating authorities. Finance is only required to be raised to cover a deficit in the Teachers Pension scheme once pensions are actually paid.

In 2010/11, the Council paid employers contributions of £4.8m (2009/10: £4.8m), representing 14.1% of employees pensionable pay (2009/10: 14.1%). No added years payments, discretionary enhancements or retirement lump sums were made during the year.

ii. Local Government Pension Scheme

The Council pays contributions into the Royal Berkshire Pension Fund, which is managed on behalf of the Authority by the Royal Borough of Windsor and Maidenhead. This is a defined benefit final salary scheme into which both the employer and employee make contributions. The last full actuarial valuation of the fund was carried out as at 31st March 2010.

In 2010/11, the Council paid employer's contributions of £11.7m (2009/10: £11.1m) into the fund, this represents 14.7% of employees pensionable pay (2009/10: 14.7%).

As a result of the 2010 emergency budget, from the 1st April 2011, pension increase orders will be linked to CPI rather than RPI; this impacts the increase applied to pensions when they are paid and the revaluation of pensions for deferred members.

CPI has historically been a lower measure of inflation than RPI, typically 0.8% lower per annum, once changes in the CPI 'basket of goods' have been taken into account. The effect of this has been to reduce the Council's liability to the Royal Berkshire Pension Fund from £247m to £143m. This is being treated as a past service gain in accordance with the guidance set down in UITF Abstract 48, since the change is considered to be a change in benefit entitlement. This is credited to non-distributed costs within the Comprehensive Income and Expenditure Statement, but has no overall impact upon the General Fund or HRA balances.

- Impact on the Income and Expenditure Account

Year to 31st March 2010 £ '000		Year to 31st March 2011 £ '000
9,846	Current service costs	16,142
21,161	Interest on obligation	25,684
(12,175)	Expected return on scheme assets	(16,324)
0	Past service costs	(44,887)
460	Losses/(gains) on curtailments and settlements	(860)
19,292	Total	(20,245)
63,899	Actual return on scheme assets	18,901

During 2010/11, there were 19 additional early retirements (2009/10: 12 early retirements).

- Reconciliation of the opening and closing balances of the present value of the defined benefit obligation:

Year to 31st March 2010 £ '000		Year to 31st March 2011 £ '000
315,387	Opening defined benefit obligation	505,939
9,846	Service cost	16,142
21,161	Interest cost	25,684
167,999	Actuarial losses/(gains)	(77,125)
460	Losses/(gains) on curtailments	0
0	Liabilities extinguished on settlements	(1,305)
(12,464)	Estimated benefits paid (net of transfers in)	(10,855)
0	Past service costs	(44,887)
4,289	Contributions by scheme participants	4,367
(739)	Unfunded pension payments	(935)
505,939	Closing defined benefit obligation	417,025

- Reconciliation of the opening and closing balances of the fair value of scheme assets:

Year to 31st March 2010 £ '000		Year to 31st March 2011 £ '000
192,881	Opening fair value of scheme assets	258,985
12,175	Expected return on scheme assets	16,324
51,725	Actuarial gains/(losses)	(5,459)
11,118	Contributions by employer (including unfunded)	11,700
4,289	Contributions by scheme participants	4,367
(13,203)	Estimated benefits (net of transfers in and including unfunded)	(11,790)
0	Receipt/(payment) of bulk transfer value	(445)
<u>258,985</u>	Fair value of scheme assets at end of period	<u>273,682</u>

- Reconciliation between the fair value of assets and liabilities, and the balance sheet liability:

31st March 2009 £ '000	31st March 2010 £ '000		31st March 2011 £ '000
306,700	485,878	Present value of funded obligation	397,112
<u>192,881</u>	<u>258,985</u>	Fair value of scheme assets (bid value)	<u>273,682</u>
113,819	226,893	Net liability	123,430
<u>8,687</u>	<u>20,060</u>	Present value of unfunded obligation	<u>19,913</u>
<u>122,506</u>	<u>246,953</u>	Net Liability in balance sheet	<u>143,343</u>

- The primary Actuarial assumptions made in assessing the pension fund have been:
Changes in price bases:

	31st March 2011		31st March 2010		31st March 2009	
	% p.a.	Real	% p.a.	Real	% p.a.	Real
RPI increases	3.5%	-	3.9%	-	3.0%	-
CPI increases	2.7%	-0.8%	n/a	-	n/a	-
Salary increases	4.8%	1.3%	5.4%	1.5%	4.5%	1.5%
Pension increases	2.7%	-0.8%	3.9%	-	3.0%	-
Discount rate	5.5%	1.9%	5.5%	1.5%	6.7%	3.6%

Mortality assumptions:

31st March 2010		31st March 2011
	Longevity at 65 for current pensioners (years):	
21.3	Males	22.7
24.3	Females	25.4
	Longevity at 65 for members retiring in 20 years (years):	
22.2	Males	24.8
25.3	Females	27.4

Expected rates of return on scheme assets

The expected return on assets is based on the long term future expected investment class as at the beginning of the period. The return on gilts and other bonds are assumed to be the gilt yield and corporate bond yield (with an adjustment to default risk) respectively at the relevant date. The actuaries have assumed the return on equities and properties to be a margin above gilt rates. The following expected returns have been adopted:

Asset Class:	Expected return (% p.a.) at		
	1st April 2011	1st April 2010	1st April 2009
Equities	7.8%	7.9%	7.4%
Gilts	4.4%	4.5%	4.0%
Other Bonds	5.5%	5.5%	6.5%
Property	5.9%	6.0%	5.5%
Cash	3.0%	3.0%	3.0%
Alternative Assets	5.0%	5.0%	n/a

As in previous years, it is assumed that 50% of retiring members will opt to increase their lump sums to the maximum amount allowed.

The Royal Berkshire Pension Scheme's assets consist of the following categories, listed by proportion held:

31st March 2010			31st March 2011	
£ '000	%		£ '000	%
149,248	44%	Equities	107,976	31%
0	0%	Gilts	0	0%
98,368	29%	Other Bonds	94,044	27%
23,744	7%	Property	27,864	8%
6,784	2%	Cash	17,415	5%
61,056	18%	Alternative Assets	101,009	29%
339,200	100%	Total	348,308	100%

- Scheme history

	March 2011	March 2010	Year to March 2009	March 2008	March 2007
	£ '000	£ '000	£ '000	£ '000	£ '000
Defined benefit obligation	(417,025)	(505,939)	(315,386)	(335,499)	(347,314)
Scheme assets	273,682	258,985	192,881	271,858	286,942
Surplus/(Deficit)	(143,343)	(246,954)	(122,505)	(63,641)	(60,372)
Experience adjustments on scheme liabilities	13,187	(9,911)	0	(9,428)	0
Percentage of liabilities (RBC)	4.20%	-1.80%	0%	-2.20%	0%
Experience adjustments on scheme assets	(5,459)	51,725	(101,454)	(37,773)	245
Percentage of assets (RBC)	-2.40%	19.80%	-52.20%	13.60%	0.10%
Cumulative actuarial gains and losses	(89,454)	(161,119)	(44,845)	8,673	11,664

Assets are shown at bid price (estimated where necessary) for the periods prior to 31st March 2010. The defined benefit obligation shows the underlying liabilities that the Council has in the long run to pay retirement benefits. The total liability of £143.34m (2009/10: £246.95m) has not had a substantial impact on the net worth of the Council as recorded in the Balance Sheet because statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy. The deficit on the Local Government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

- Estimate of contributions for 2011/12

	Year to 31st March 2012 £ '000
Service costs	12,023
Interest costs	23,087
Return on assets	-16,478
Total	18,632
 Employer contribution	 9,611

25. Creditors

The Creditors that the Council has an obligation to pay in the next twelve months are as follows:

2008/09	2009/10		2010/11
£ '000	£ '000		£ '000
(6,954)	(1,849)	Central Government Bodies	(4,232)
(1,899)	(1,436)	Other Local Authorities	(834)
(229)	(345)	NHS Bodies	(100)
(2)	(13)	Public corporations and trading funds	(2)
(29,555)	(33,818)	Other entities and individuals	(42,246)
<u>(38,639)</u>	<u>(37,461)</u>		<u>(47,414)</u>

26. Provisions

	Balance at 1st April 2010 £ '000	Increases in provisions £ '000	In-year movements Amounts of provisions used in year £ '000	Transfers from provisions £ '000	Balance at 31st March 2010 £ '000
Accumulated Absences	3,585	3,630	0	(3,585)	3,630
Equal Pay Back Pay	3,000	1,500	0	0	4,500
Homelessness Costs	40	0	(20)	0	20
North Whitley PFI	135	0	0	(135)	0
Pensions Liabilities	2,226	1,926	(1,756)	0	2,396
Compensation for Loss of Office	0	1,031	0	0	1,031
Rent deposit guarantee	0	300	0	0	300
	<u>8,986</u>	<u>8,387</u>	<u>(1,776)</u>	<u>(3,720)</u>	<u>11,877</u>

Accumulated Absences Provision - This has been set up as a contra to the Accumulated Absences reserve to meet the accounting requirements for short term employee benefits as set out in the Code.

Equal Pay Backpay Provision - The Council has established an Equal Pay Provision since under the Equal Pay Act 1970 (as amended) employees are entitled to equal pay for work of equal value. Payments are envisaged in future years, but the extent of those cannot be quantified accurately at the present.

Homelessness Costs Provision - The Council has leased various properties to provide accommodation for homeless households. Under the terms of the leases, there may be liabilities when the leases end; the homelessness costs provision has been established to meet these liabilities.

North Whitley PFI Provision - This was been established within the HRA balance to ensure that contracted payments associated with the refurbishment of a number of properties in the scheme could be met. All of the refurbishments have now been completed, and so the provision has been closed.

Pension Liabilities Provision - This provision was created to help meet the costs associated with organisational change.

Compensation for Loss of Office Provision - To meet the compensation costs of redundancy and efficiency of services termination of contracts agreed by the 31st March 2011 but not yet paid to employees.

Rent Deposit Guarantee Provision - The Council provides rent deposit guarantees to help prevent homelessness and the provision has been established for possible claims under such guarantees.

27. Contingent liabilities

From time to time, there are uncertainties surrounding potential liabilities in connection with capital or other projects in which the Council is involved. Where claims are unquantifiable at the balance sheet date, or possible but not probable, such claims are treated as contingent liabilities.

Contingent liabilities are not recognised in the Statement of Accounts, but are monitored to ensure that where an obligation or transfer of economic benefit to another party has become probable, a provision is made. The financial statements include provisions based on management's best estimate of the outcome of these uncertainties. Whilst any disputes are ongoing the Council does not disclose the quantum or timing of any possible settlement as this could prejudice its 'commercial' position.

28. Contingent assets

Contingent assets represent benefits due to the Council in relation to a past activity, if a future event occurs. On the advice from, and with the assistance of its VAT advisor, the Council has submitted a number of claims regarding VAT to, and appealed various assessments raised by HM Revenue and Customs (HMRC), totalling approximately £5.7m.

The recovery of this VAT is contingent upon both the outcome of a VAT tribunal involving other local authorities, and HMRC being satisfied that the Council's circumstances are similar to theirs. In relation to these claims, if successful, the council will also receive interest on the VAT involved. A separate claim is being pursued that such interest should be compounded, and that claim is contingent upon successful legal action.

29. Government and non-government grants

All grant receipts in year are assessed to ascertain whether the use of them has conditions attached to them, or merely restrictions on their use. Conditional grants are held within 'receipts in advance' on the balance sheet until the conditions have been met, unconditional grants are credited to the Comprehensive Income and Expenditure Statement when they are received, with any unused balance sitting in a reserve.

- Capital grants

The grant balances credited to the Comprehensive Income and Expenditure Statement during the year are as follows:

2009/10 £ '000		2010/11 £ '000
42,556	Grants credited to non-specific grant income	16,880
7,143	Grants credited to services	3,332
1,906	S106 and other contributions credited to non-specific grant income	2,867
88	S106 and other contributions credited to services	287
51,693	Total	23,366

At the 31st March 2011, the Council had a number of grant and other contribution balances remaining that had conditions attached to them, and so are recognised as capital grants receipts in advance:

2009/10 £ '000		2010/11 £ '000
354	Miscellaneous Government Grants	916
10,263	Standards Fund	10,066
2,865	Other contributions	1,223
4,437	Developers Contributions	5,639
17,919		17,844

- Revenue grants

The revenue grant balances credited to the Comprehensive Income and Expenditure Statement during the year are as follows:

2009/10 £ '000		2010/11 £ '000
75,360	Housing Benefits	82,564
10,084	Housing Subsidy	6,974
88,515	Education Services	78,077
13,390	Community Care	3,809
2,740	Children and Families	8,540
8,454	Other grants	5,464
198,543	Total	185,428

30. Long term borrowing

The table below shows the long term borrowing commitment that the Council had at the 31st March 2011. These items are all due for repayment after 31st March 2012.

2008/09 £ '000	2009/10 £ '000		2010/11 £ '000
167,500	146,708	Public Works Loan Board	145,622
(2,880)	(3,200)	less modified loans carrying value	(3,188)
5,700	10,700	Other Local Authorities	10,700
30,000	30,000	Banks and Financial Institutions	30,000
200,320	184,208		183,134

An analysis for the Public Works Loan Board (PWLB) debt is provided below:

2008/09 £ '000	2009/10 £ '000		2010/11 £ '000
3,167	18,167	1 - 2 years	6,507
38,000	16,500	2 - 5 years	21,520
17,833	19,741	5 - 10 years	14,475
500	300	10 - 25 years	1,120
0	2,000	25 - 40 years	2,000
108,000	90,000	40+ years	100,000
167,500	146,708		145,622

Since 2006/07, accounting requirements have required premia and discounts to be written off to the Income and Expenditure Account as incurred. Various adjustments required by regulation are then required to spread the cost or income over (typically) a 10 year period.

During the year the Council prematurely repaid £10m of PWLB loans (2009/10: £32.5m) at an immaterial net discount (2009/10: net premium of £1.08m) and arranged £24.8m of new PWLB loans (2009/10: £15.8m of new loans). In addition, the Council arranged one longer term loan of £4m with another local authority to start in 2011/12 (one £5m loan arranged in 2009/10).

The Council recognised all premia and discounts incurred prior to 31st March 2007 in the Income and Expenditure Account at the time, except for £3.25m of premia incurred on various loans rescheduled in 2004/05 and 2005/06 as a modification, most of which remains in the carrying amount at 31 March 2011 (per the table above). Full details of the Council's Treasury Management activity are published separately in the Council's Annual Treasury Report (and are available online at www.reading.gov.uk).

The PWLB has advised that using its repayment rate to calculate premature repayment sums, the fair value of the £160.1m of long term PWLB loans above held as at 31st March 2011 (including £14.5m loans maturing within a year), was £163.0m (the £150.375m par value at 31st March 2010 then had a fair value of £150.397m on the same basis). The Council estimates that if held to maturity, using current PWLB borrowing rates at 31st March to discount the fair value of loans at 31st March 2011 would be £140.7m (31st March 2010: £143.6m)

31. Financial Instruments

As well as the Council's borrowings and investments, including premia and discounts associated with their early repayment and also provisions for liabilities, Financial instruments include financial assets and liabilities such as trade debtors, trade creditors, and cash & bank balances. (Taxation debtors (i.e. Council Tax arrears) are excluded from the definition).

At the time of first implementation of this accounting approach in 2007, the Council considered whether impairments of assets (such as provisions for doubtful debts) should be treated differently, but concluded and continues to believe its historic approach to these provisions is immaterially different from what is

required by the accounting requirements, including those implemented in 2010/11 for IFRS and therefore debtors (net of the provision), creditors, cash and bank balances have not been adjusted (and indeed the 31st March 2010 and 2011 figures have been determined in broadly the same way as historically used).

In the Council's Balance Sheet at 31st March 2007, at the start of the accounting arrangements there was a balance of £4.802m in respect of unamortised premia and discounts arising from the premature repayment of debt. Of this balance, £3.19m remaining as at 31st March 2011 related to premature repayments prior to 31st March 2006 (31st March 2010: £3.20m). This is being treated as a component of PWLB loan raised in 2005/06 and being amortised over the life of that debt, effectively treating those loans as modified. Accounting requirements required the remainder to be written off to the Income and Expenditure Account, but as the Council had a matching housing subsidy entitlement in relation to such restructured debt over the period 2011/12 to 2016/17, the balance was transferred to the statutory Financial Instruments Adjustment Account to be amortised over the period. As at 31st March 2011, £0.745m remained in this account. The Council will be reviewing this accounting practice in 2011/12 should the Government confirm their intention to move to a "self-financed" basis for the HRA.

We are required to analyse financial instruments between long term (due for settlement in more than 12 months) and current (settlement due within 12 months). In this analysis we have treated debtors, creditors, cash & bank balances as current together with those investments and borrowings that fall due within 12 months. Most borrowings and some investments (over 12 month duration) have been analysed as long term. The Council has some borrowing and lending to banks under LOBO/callable structures where the duration is uncertain. At the current time, we have assumed these structures will run to their maximum duration. The long term elements include premia and discounts accounted for as loan modifications (as indicated above), and the following table provides the analysis:

	Long Term		Current	
	31.3.2010 £'000	31.3.2011 £'000	31.3.2010 £'000	31.3.2011 £'000
Financial Instruments Balances Carried Forward				
Financial Liabilities at Amortised Cost	220,648	218,806	65,338	93,843
Total Borrowings	220,648	218,806	65,338	93,843
Loans and Receivables at Amortised Cost	7,527	7,022	40,497	56,919
Available for Sale Assets	12,375	0	45,931	59,463
Total Investments	19,902	7,022	86,428	116,382

In addition we are required to disclose the nature and extent of risks arising from financial instruments to which we are exposed, and how they have been managed; including credit, liquidity and market risk. Credit and Liquidity risks exist for current and longer term receivables. In the above table they have been impaired (effectively a doubtful debt provision is held) to match broadly the historic experience of their non payment. With regard to investment instruments, the Council approves a treasury investment strategy each year that indicates that investments are only made to highly rated counterparties, with an emphasis on security and liquidity over yield, and some spread within the market to mitigate market risks and preserve capital. There has never been an actual default experience, and therefore it is not considered necessary to impair investments from their nominal value.

As at 31st March 2010, £30m borrowing (2009: £30m) was on LOBO terms (with the lender to the Council having options to change the interest rate at various dates).

32. Notes to the Cashflow Statement

- Note A to the Cashflow Statement

2009/10 £ '000		2010/11 £ '000
<u>(34,257)</u>	Net Surplus or (Deficit) on the Provision of Services	<u>(76,587)</u>
	<u>Adjust net surplus or deficit on the provision of services for non cash movements</u>	
77,086	Depreciation and impairment	125,937
219	Amortisation	271
70	Adjustment for movements in fair value of investments classified as Fair Value through Comprehensive Income and Expenditure Statement	40
(602)	Increase/Decrease in Interest Creditors	(845)
(4,133)	Increase/Decrease in Creditors	3,027
1,434	Increase/Decrease in Interest and Dividend Debtors	961
5,393	Increase/Decrease in Debtors	(18,154)
(62)	Increase/Decrease in Inventories	(13)
8,366	Pension Liability	(32,035)
2,592	Contributions to/(from) Provisions	6,476
1,687	Carrying amount of non-current assets sold	(768)
80,000	Carrying amount of short and long term investments sold	60,000
0	Movement in Investment Property Values	(2,717)
3,128	Other non-cash movements	9,269
<u>175,178</u>		<u>151,449</u>
	<u>Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities</u>	
(59,383)	Capital Grants credited to surplus or deficit on the provision of services	(23,643)
(80,000)	Proceeds from the sale of short and long term investments	(60,000)
(4,133)	Proceeds from the sale of property plant and equipment, investment property and intangible assets	(1,902)
<u>(143,516)</u>		<u>(85,545)</u>
<u>(2,595)</u>	Net Cash Flows from Operating Activities	<u>(10,683)</u>

- Note B to the Cashflow Statement

2009/10 £ '000		2010/11 £ '000
	Operating activities within the cashflow statement include the following cash flows relating to interest	
4,507	Interest Received	3,163
(11,481)	Interest Paid	(10,893)
<u>(6,974)</u>		<u>(7,730)</u>

- Note C to the Cashflow Statement

2009/10 £ '000		2010/11 £ '000
(65,711)	Purchase of Property, Plant and Equipment, investment property and intangible assets	(33,041)
(74,996)	Purchase of short and long term investments	(60,000)
4,167	Proceeds from the sale of property plant and equipment, investment property and intangible assets	2,140
80,000	Proceeds from short-term and long-term investments	60,000
63,572	Other Receipts from Investing Activities	27,037
<u>7,032</u>	Total Cash Flows from Investing Activities	<u>(3,864)</u>

- Note D to the Cashflow Statement

2009/10 £ '000		2010/11 £ '000
104,745	Cash receipts of short and long term borrowing	70,230
(2,065)	Billing Authorities - Council Tax and NNDR adjustments	(626)
429	Precepting Authorities Only - Appropriation to/from Collection Fund Adjustment Account	(645)
(110,537)	Repayment of Short-Term and Long-Term Borrowing	(53,477)
(480)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(761)
<u>(7,908)</u>	Total Cash Flows from Financing Activities	<u>14,721</u>

- Note E to the Cashflow Statement

As at 31st March 2010 £ '000		As at 31st March 2011 £ '000
10,793	Cash and Bank Balances	11,679
(4,192)	Bank Overdraft	(4,904)
<u>6,601</u>		<u>6,775</u>

Housing Revenue Account

Income and Expenditure Account

2009/10		2010/11	
£ '000		Actual £ '000	Actual £ '000
Expenditure (including pension costs in accordance with IAS 19):			
4,745	Repairs and Maintenance	5,203	
13,151	Supervision and management	13,579	
682	Rents, rates, taxes and other charges	207	
3,416	Negative Housing Revenue Account subsidy payable	7,455	
18,899	Depreciation and impairment of non-current assets	90,979	
38	Debt management costs	40	
40	HRA share of Non-Distributed Costs (IAS 19 past service costs)	(3,658)	
40,971			113,805
Income:			
(31,477)	Gross dwelling rents	(31,597)	
(388)	Gross non-dwelling rents	(425)	
(1,100)	Charges for services	(1,155)	
(32,965)			(33,177)
8,006	Net Cost of HRA services as included in the whole authority Comprehensive Income and Expenditure Statement		80,628
629	HRA share of Corporate and Democratic Core		563
8,635	Net Cost of HRA services		81,191
HRA share of the operating income and expenditure included in the whole authority Comprehensive Income and Expenditure Statement:			
391	Gain or loss on sale of HRA non-current assets		(114)
3,879	Interest payable and similar charges		4,085
176	Amortisation of premiums and discounts		140
(463)	HRA interest and investment income		(313)
665	Pensions interest cost and expected return on pension assets		695
13,283	(Surplus) or deficit for the year on HRA services		85,684

Movement on the Housing Revenue Account Statement

2009/10 £ '000		2010/11 £ '000
(8,698)	Balance at the end of the previous reporting period	(9,223)
(14,753)	Adjustments between accounting basis and funding basis under regulations	(88,074)
<u>(23,451)</u>	Net increase or decrease before transfers to or from reserves	<u>(97,297)</u>
945	Transfers to or from reserves	2,829
13,283	increase/(decrease) in year on the HRA	85,684
<u><u>(9,223)</u></u>	Balance on the HRA as at the end of the current reporting period	<u><u>(8,784)</u></u>

Notes to the Housing Revenue Account

1. The Housing Revenue Account (HRA)

The HRA income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations; the may be different from the accounting cost. The increase or decrease in the year, on the basis on which rents are raised, is shown in the Movement on the HRA Statement.

2. Analysis of the amounts included within 'Adjustments between accounting basis and funding basis under regulations' and 'Transfers to or from reserves' within the Movement in the HRA Statement

2009/10 £ '000		2010/11 £ '000
	Adjustments between accounting basis and funding basis under regulations:	
(13,606)	Difference between interest payable and similar charges including amortisation of premia and discounts determined in accordance with the Code and those determined in accordance with statute	(86,900)
(756)	Difference between any other item of income and expenditure determined with the Code and determined in accordance with statutory HRA requirements	(1,288)
(391)	Gain or loss on the sale of HRA non-current assets	114
(14,753)		(88,074)
	Transfers to or from reserves	
(706)	HRA share of contributions to or from the Pension Reserve	2,963
850	Employers's contributions payable to the Pension Fund and retirement benefits payable direct to pensioners	847
801	Transfers to/from the Major Repairs Reserve	(981)
945		2829

3. The Council's Dwelling Stock

At 31st March 2011, the Council was responsible for managing a housing stock of 7,232 dwellings, including 1,337 within the North Whitley PFI scheme (1st April 2010: 7,298 dwellings, 1,338 in the PFI scheme). The number of dwellings by category at 31st March was as follows:

2009/10 Number of dwellings		2010/11 Number of dwellings
4,068	Houses and bungalows	4,063
3,230	Flats	3,169
7,298	Total dwellings	7,232

In 2010-11 the number of dwellings within the HRA estate reduced by 66. As well as five dwellings sold under Right to Buy, 36 dwellings were removed from the stock as they are due for demolition as part of the Dee Park regeneration project and 2 hostels were taken out of use due to not being fit for purpose, accounting for a further reduction of 23 in the dwelling stock.

The total Balance Sheet value of the Council's HRA assets at 31st March 2011 was £306m (1st April 2010: £413m), split between the following areas:

2008/09 £ '000	2009/10 £ '000		2010/11 £ '000
		Operational assets:	
423,884	407,903	Dwellings	301,948
2,546	2,554	Other land and buildings	2,402
3,492	2,620	Non-operational assets	2,141
<u>429,922</u>	<u>413,077</u>	Total asset value	<u>306,491</u>

The Balance Sheet value of dwellings within the HRA is intended to demonstrate the economic cost of providing council housing at rents less than open market value. Dwellings are initially valued at open market value and a Social Housing Adjustment factor is applied to recognize that as tenanted properties the dwellings are not available with vacant possession. In 2010/11 the social housing adjustment factor changed from 45% (31/3/10) to 32% (31/3/11). The vacant possession value rose from £917.6m to £954.3m, but the social housing adjustment reduced the balance sheet value from £412m to £302m. As most of this reduction exceeded the balance on the Council's revaluation reserve, accounting requirements required £79m of the reduction to be charged to the HRA; this entry is adjusted under regulation.

4. The Major Repairs Reserve (MRR)

The MRR records the unspent balance of the HRA subsidy paid to the Council in the form of the Major Repair Allowance (MRA). The movements in the MRR in year were:

2008/09 £ '000	2009/10 £ '000		2010/11 £ '000
0	0	Balance on the MRR as at 1st April	0
4,745	5,294	Transfer (to)/from Housing Revenue Account	4,086
(115)	(161)	- Depreciation on non-dwellings	(163)
(281)	954	- (Excess)/Shortfall of depreciation on dwellings over Major Repairs Allowance	(826)
(4,349)	(6,087)	Financing of capital expenditure	(3,097)
<u>0</u>	<u>0</u>	Balance on the MRR as at 31st March	<u>0</u>

5. HRA capital expenditure

During 2010/11, the Council incurred £6.8m capital expenditure on land, houses and other properties within the HRA (2009/10: £10.4m). The details of expenditure, and the methods of financing are detailed below:

2008/09 £ '000	2009/10 £ '000		2010/11 £ '000
		HRA capital expenditure:	
695	935	Housing	881
7,285	9,495	Other	5,942
<u>7,980</u>	<u>10,430</u>		<u>6,823</u>
		Financed by:	
(3,525)	(4,028)	Borrowing	(3,846)
0	(243)	Capital Receipts	0
(4,349)	(6,087)	MRR	(2,977)
(106)	(72)	Grants	0
<u>(7,980)</u>	<u>(10,430)</u>		<u>(6,823)</u>

6. HRA capital receipts

During the year, the Council disposed of five dwellings to tenants under the Right to buy scheme, no non-right to buy disposals occurred within the year. A garage site and community centre that were part of the HRA estate were also disposed of during the year. The disposals generated total capital receipts of £1,020k, of which £453k was paid to Central Government as the Council's contribution to the Central Housing Pool.

7. Interest

£4.1m (2009/10: £3.9m) was charged in total to the HRA, of this £1.8m (2009/10: £1.6m) was charged in accordance with the provisions of the Local Government and Housing Act 1989 (Item 8), and £2.3m (2009/10: £2.3m) relating to the Housing PFI scheme (see note 20, page 63 of the main accounts).

8. Impairments

In accordance with the accounting policies set out on page 32, impairments of £8.1m (2009/10: £13.6m) in respect of HRA properties were charged to the HRA. The split of impairments was as follows:

2009/10 £ '000		2010/11 £ '000
13,415	Dwellings	7,898
214	Other properties	214
<u>13,629</u>		<u>8,112</u>

9. Depreciation

The total charge for depreciation for Houses and other properties within the HRA was £4.1m for 2010/11 (2009/10: £5.3), split as follows

2009/10		2010/11
£ '000		£ '000
	Operational assets:	
5,139	Dwellings	3,837
161	Buildings	163
<u>5,300</u>		<u>4,000</u>

10. Housing Subsidy

The HRA subsidy system is the system through which the Government determines the amounts local authorities need to spend on their council housing and whether subsidy is required to support this expenditure. HRA subsidy is the sum paid by Government to the Council to make up any shortfall between income and expenditure on the HRA. The HRA subsidy is a negative sum because the Council's notional HRA shows a surplus. In 2010/11, the Council paid £7.5m to Central Government (2009/10: payment of £3.4m to Central Government).

11. HRA contributions to the Pension Reserve

The HRA has been charged with a share of the pension costs of the Council in accordance with IAS 19; these costs are included within the HRA Income and Expenditure Statement.

12. Rent Arrears

At the 31st March 2011, the rent arrears were £758,048 (2009/10: £817,256); a provision of £600,000 in respect of uncollectable debts has been recognised on the Balance Sheet (2009/10: £600,000).

13. Exceptional or prior year items

No exceptional items or prior period adjustments have been identified for the HRA.

Collection Fund Account

2009/10 £ '000		2010/11 £ '000	2010/11 £ '000
	<u>Income:</u>		
67,559	Council Tax received	69,104	
10,872	Council Tax benefits	<u>11,955</u>	81,059
90,358	Income collectable from business rate payers		87,845
500	Contribution towards previous year's Collection Fund Deficit		750
169,289	Total income		169,654
	<u>Expenditure:</u>		
	Precepts and demands from:		
66,245	Reading Borough Council	68,174	
7,947	Thames Valley Police	8,162	
2,895	Royal Berkshire Fire Authority	<u>2,944</u>	79,280
	Business Rates:		
90,074	Payment to the National Pool	87,562	
284	Costs of collection	<u>283</u>	87,845
	Impairment of debts:		
71	Write off of uncollectable amounts	36	
1,773	Allowance for impairments	<u>1,243</u>	1,279
169,289	Total expenditure		168,404
0	Movement on fund balance		1,250
(1,000)	Surplus/(deficit) brought forward		(1,000)
(1,000)	Surplus/(deficit) on the Collection Fund Account as at 31st March		250

Notes to the Collection Fund Account

1. The Collection Fund

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from tax payers and distribution to Precepting bodies and the Government of Council Tax and Non-Domestic Rates.

2. National Non-Domestic Rates

Business rates are organised on a national basis, with the Government specifying a multiplier rate; a business's rate liability is calculated by multiplying this amount by the business's rateable value.

The total Non-Domestic rateable value at 31st March 2011 was £249,415,909 (27th March 2010: £212,896,704). The business rate multiplier set by Central Government for 2010/11 was 40.7p for small businesses, and 41.4p for all other businesses.

3. Council Tax

The Council is required to set the Council Tax for the Borough of Reading. The level of Council Tax is calculated by dividing the Budget requirement, less Revenue Support Grant and the contribution from the NNDR pool, by the tax base.

The tax base is made up of the number of chargeable dwellings in each valuation band (after adjustment for discounts where applicable). These are converted into an equivalent number of band D dwellings. In October 2010, there were 54,116 band D equivalent properties on the Council Tax register:

2009/10 Band D Equivalent Dwellings	Band	Property Value	Taxable Properties	Ratio	2010/11 Band D Equivalent Dwellings
2,863	A	Up to £40,000	5,595	6/9	2,897
8,685	B	From £40,001 to £52,000	13,275	7/9	8,685
20,770	C	From £52,001 to £68,000	27,160	8/9	20,836
8,615	D	From £68,001 to £88,000	10,008	9/9	8,763
5,686	E	From £88,001 to £120,000	5,233	11/9	5,744
4,259	F	From £120,001 to £160,000	3,205	13/9	4,294
2,745	G	From £160,001 to £320,000	1,775	15/9	2,782
119	H	£320,001 upwards	77	18/9	115
53,742			66,328		54,116

In January 2010, the Council estimated that the Council Tax base would be ; during the year, the tax base averaged 54,084 Band D equivalent properties.

4. Precepting bodies

The Collection Fund is drawn upon by three organisations: Reading Borough Council, Thames Valley Police Authority and the Royal Berkshire Fire Authority. The precepts and demands made by all three, and their share of the year end surplus, are shown below:

2009/10 £ '000		Share as at 31st March 2011		Total £ '000
		Precept/Demand £ '000	Surplus/(Deficit) £ '000	
65,385	Reading Borough Council	68,174	215	68,389
7,910	Royal Berkshire Fire Authority	8,162	26	8,188
2,792	Thames Valley Police Authority	2,944	9	2,953
76,087		79,280	250	79,530

Group Accounts

1. Introduction

The Council has reviewed its relationships with its partner organisations to determine whether there are any entities that should be considered as part of the Council's 'group'. Four organisations have been identified as needing to be consolidated within the Group, as the Council are all subsidiaries of the Council, with the Council owning 100% of the voting rights:

- Reading Transport Limited (RTL)
- Reading Economic Development Company Limited (REDCo):
- Acre Road Industrial Estate Limited (ARIEL)
- Queens Road Car park Limited (QRCL)

RTL was founded in 1986 to meet the requirements of the Transport Act, and provides local bus services within the Greater Reading and West Berkshire areas, along with holidays and excursions, and the hire of drivers and buses for private hire.

REDCo is the holding company for the other limited companies listed above; Ariel was formed to provide started industrial units on the Acre Road industrial estate, and QRCP was formed to provide a new multi-storey car park on Queens Road. These companies are no longer actively trading.

2. Financial Performance

The activities and performance of each of the subsidiaries during the year 2009/10 is set out below:

RTL: As at 31st March 2010, net current assets were £2.8m (£2.1m in 2009/10) and the company made a loss of £0.5m in 2010/11 (£0.9m loss was made in 2009/10).

REDCO: As at 31st March 2011 the company's net current assets were £3.17m (as at 31st March 2010 £3.17m) whilst the group's net current assets were £0.0m (as at 31st March 2010 £0.0m). In 2010/11 the company broke even, and the group made no profit or loss (2010/11: broke even).

The Group segmental analysis is shown below, these figures exclude any transactions that have occurred between members of the group.

Environment, Culture and Sport	Education and Childrens Services	Corporate Resources	Housing and Community Care	General Fund Subtotal	HRA	Total
£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000
(48,858)	(122,858)	(79,011)	(29,630)	(280,357)	(32,654)	(313,011)
Employee expenses	92,632	16,205	24,161	158,318	3,530	161,848
Other operating expenses	57,759	80,778	55,216	240,296	26,252	266,548
Total operating expenses	150,391	96,983	79,377	398,614	29,782	428,396
Net Cost of Services	27,533	17,972	49,747	118,257	(2,872)	115,385

Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement

Cost of Services in Service Analysis	£ '000
	115,385
Add amounts not reported in Directorate budget monitoring	84,492
Net Cost of Services in Comprehensive Income and Expenditure Statement	199,877

Reconciliation to Subjective Analysis

(Group)	Service Analysis	Subsidiary results (RTL etc)	Not reported in budget monitoring	Net Cost of Services	Corporate Amounts Subsidiaries	RBC	Total
	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000
Services income	(313,011)	(20,740)		(333,751)			(333,751)
Interest and investment income				0		(1,882)	(1,882)
Income from council tax						(68,174)	(68,174)
Government grants and contributions			(4,169)	(4,169)		(87,365)	(91,534)
Other income			(271)	(271)			(271)
Transfers from reserves and balances			(1,209)	(1,209)			(1,209)
Total Income	(313,011)	(20,740)	(5,649)	(339,400)	0	(157,421)	(496,821)
Employee expenses	161,848	15,028		176,876			176,876
Other service expenses	266,548	5,920		272,468			272,468
Depreciation, amortisation and impairment		2,462	114,399	116,861			116,861
Capitalisation			(4,202)	(4,202)			(4,202)
Revenue expenditure funded from capital under statute			5,116	5,116			5,116
Redundancy payments			3,692	3,692			3,692
Pension fund adjustments			(40,290)	(40,290)			(40,290)
Insurances		515	829	1,344			1,344
Other expenditure			2,961	2,961			2,961
Transfers to reserves and balances			3,290	3,290			3,290
Interest Payments and debt restructuring				0	591	10,613	11,204
Pension interest costs, net of return on scheme assets				0	1,016	9,360	10,376
Precepts & Levies				0		105	105
Payments to Housing Capital Receipts Pool				0		453	453
Gain or Loss on Disposal of Fixed Assets				0	(173)	65	(108)
Investment properties			1,161	1,161		(2,526)	(1,365)
Transfer of Academy Schools to Academy Trusts				0		15,777	15,777
Total operating expenses	428,396	23,925	86,956	539,277	1,434	33,847	574,558
Surplus or deficit on the provision of services	115,385	3,185	81,307	199,877	1,434	(123,574)	77,737

For the year ended 31 March 2010
Service Information

	Environment, Culture and Sport £000s	Education and Childrens Services £000s	Corporate Resources £000s	Housing and Community Care £000s	General Fund Subtotal £000s	HRA £000s	Total £000s
Total Income	(47,651)	(117,920)	(66,764)	(33,873)	(266,208)	(32,488)	(298,696)
Employee expenses	26,421	92,008	15,892	24,712	159,033	3,528	162,561
Other operating expenses	45,020	55,685	70,092	54,089	224,886	25,843	250,729
Total operating expenses	71,441	147,693	85,984	78,801	383,919	29,371	413,290
Net Cost of Services	23,790	29,773	19,220	44,928	117,711	(3,117)	114,594

Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement

Cost of Services in Service Analysis	£000s
	114,594
Add amounts not reported in Directorate budget monitoring	75,170
Net Cost of Services in Comprehensive Income and Expenditure Statement	189,764

Reconciliation to Subjective Analysis

	Service Analysis £000s	Subsidiary results (RTL etc) £000s	Not reported in budget monitoring £000s	Net Cost of Services £000s	Corporate Amounts Subsidiaries £000s	RBC £000s	Total £000s
Services income	(298,696)	(21,494)		(320,190)			(320,190)
Interest and Investment income				0	33	(2,876)	(2,843)
Income from council tax				0		(66,244)	(66,244)
Government grants and contributions			(8,141)	(8,141)		(115,794)	(123,935)
Other income			(709)	(709)		(1,445)	(2,154)
Transfers from reserves and balances			(7,957)	(7,957)			(7,957)
Total Income	(298,696)	(21,494)	(16,807)	(336,997)	33	(186,359)	(523,323)

Employee expenses	162,561	16,052		178,613			178,613
Other service expenses	250,729	6,288		257,017			257,017
Depreciation, amortisation and impairment		2,584	69,040	71,624			71,624
Capitalisation			(4,620)	(4,620)			(4,620)
Revenue expenditure funded from capital under statute			12,197	12,197			12,197
Insurances		755	823	1,578			1,578
Other expenditure			4,150	4,150			4,150
Transfers to reserves and balances			5,684	5,684			5,684
Interest Payments and debt restructuring				0	703	11,420	12,123
Pension scheme adjustments			518	518			518
Pension interest costs, net of expected return on scheme assets				0	614	8,986	9,600
Precepts & Levies				0		105	105
Payments to Housing Capital Receipts Pool				0		974	974
Gain or Loss on Disposal of Fixed Assets				0		111	111
Investment properties				0		10,033	10,033
Total operating expenses	413,290	25,679	87,792	526,761	1,317	31,629	559,707

Surplus or deficit on the provision of services

	114,594	4,185	70,985	189,764	1,350	(154,730)	36,384
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3. Group Financial Statements

The Council is required to produce financial statements for the group, together with supporting notes, where there is a material difference to the single entity statement.

The following statements have been prepared:

- The Group Movement in Reserves Statement, which combines the in year movements of the financial reserves of the Council (as shown on page 48), with those of the Group entities, providing the overall change in the Council's total reverses.
- The Group Comprehensive Income and Expenditure Statement, which brings together the Comprehensive Income and Expenditure Statement produced by the Council and the Profit and Loss Statement produced by Reading Transport.
- The Group Balance sheet, which recognises the year end position of all of the group entities.
- The Group Cashflow statement, which consolidates the cashflow statements for the Council and RTL only, as the cashflows associated with REDCo are immaterial.

4. Group Accounting Policies

The Accounting policies for the subsidiary companies are not materially different to those of the Council, set out in note 1, page 32. The following differences are recognised:

- Basis of account production

The Council is required to produce its accounts in accordance with the IFRS Code, whereas RTL produces its accounts in line with UK GAAP and the Companies Act 2006. Work has been carried out to look at the accounting treatment of the major items within the RTL accounts to see if there is a material difference between the Company's treatment of them, and the treatment that would be required under IFRS. No material items requiring adjustment have been discovered.

- Depreciation of Fixed Assets

Except for freehold land, depreciation is calculated so as to write off the cost of the asset less their estimated residual value on a systematic basis over the expected useful lives of the assets concerned. The principal annual rates used for this purpose are:

Fixed Asset Category	Depreciation Basis
Buildings	2% - 4% straight line
Plant and Machinery	10% - 20% straight line
Buses	10% straight line
Other Vehicles	9½% - 33% straight line

This fixed assets policy has not been changed to match the Council's methodology as the change would not be material to the group. The depreciation charge on the Income and Expenditure Account for 2010/11 for RTL is £2.46m (2009/10: £2.62m).

5. Group Financial Statements

Group Movement in Reserves Statement

	General Fund Balance	Earmarked Gen Fund Reserves	Housing Revenue Account	Earmarked HRA Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total General Reserves	Total Unusable Reserves	Total Authority Reserves	Authority's share of subsidiaries & associates	Total Group Reserves
	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000
Balance at 31 March 2009	14,704	27,205	8,698	6,200	219	0	2,211	59,237	495,945	555,182	(2,980)	552,202
Surplus/(deficit) on provision of services	(21,417)		(12,840)					(34,257)	0	(34,257)	(1,572)	(35,829)
Surplus/(deficit) on revaluation of non-current assets								0	(403)	(403)	0	(403)
Actuarial gains/(losses) on pension assets/liabilities								0	(116,274)	(116,274)	(14,172)	(130,446)
Contribution to unfunded pension benefits								0	739	739	0	739
Other gains/(losses)								0	(429)	(429)	926	497
Total comprehensive income & expenditure	(21,417)	0	(12,840)	0	0	0	0	(34,257)	(116,367)	(150,624)	(14,818)	(165,442)
Adjustment between group accounts & authority accounts	65							65	834	899	(899)	0
Net increase/(decrease) before transfers	(21,352)	0	(12,840)	0	0	0	0	(34,192)	(115,533)	(149,725)	(15,717)	(165,442)
Adjustments between accounting basis and funding basis under regulations												
Depreciation and impairment of non current assets	60,145							60,145	(60,145)	0	0	0
Excess of depreciation charged to HRA over the Major Repairs Allowance element of housing subsidy			12,818			6,087		18,905	(18,905)	0	0	0
Capital grants and contributions credited to the Comprehensive Income & Expenditure Account	(59,384)		0				2,551	(56,833)	56,833	0	0	0
Revenue expenditure funded from capital by statute	12,197		0					12,197	(12,197)	0	0	0
Net gain/(loss) on sale of non-current assets	(281)	506	391		992			1,608	(1,608)	0	0	0
Amount by which finance costs calculated in accordance with the Code are different from the amount of finance costs calculated in accordance with statutory requirements		1,133						1,133	(1,133)	0	0	0
Amounts by which pension costs calculated in accordance with the Code are different from the contributions due under the pension scheme regulations	7,563	739	611					8,913	(8,913)	0	0	0
Amount by which council tax income included in the Comprehensive Income & Expenditure Account is different from the amount taken to the General Fund in accordance with regulation	(429)							(429)	429	0	0	0
Statutory provision for repayment of debt	(6,242)	47	293					(5,902)	5,902	0	0	0
Capital expenditure charged to the General Fund Balance	(187)							(187)	187	0	0	0
Transfer from Capital Receipts Reserve equal to the amount payable into the Housing Capital Receipts Pool	974				(974)			0	0	0	0	0
Transfer (to)/from earmarked reserves required by legislation	3,468		1			(6,087)		(2,618)	2,618	0	0	0
Net increase/(decrease) before transfers to earmarked reserves	(3,528)	2,425	1,274	0	18	0	2,551	2,740	(152,465)	(149,725)	(15,717)	(165,442)
Transfer (to)/from earmarked reserves	1,664	(1,615)	(749)	700				0	0	0		0
Increase/(decrease) in year	(1,864)	810	525	700	18	0	2,551	2,740	(152,465)	(149,725)	(15,717)	(165,442)
Balance at 31 March 2010	<u>12,840</u>	<u>28,015</u>	<u>9,223</u>	<u>6,900</u>	<u>237</u>	<u>0</u>	<u>4,762</u>	<u>61,977</u>	<u>343,480</u>	<u>405,457</u>	<u>(18,697)</u>	<u>386,760</u>

Group Accounts

	General Fund Balance £ '000	Earmarked Gen Fund Reserves £ '000	Housing Revenue Account £ '000	Earmarked HRA Reserves £ '000	Capital Receipts Reserve £ '000	Major Repairs Reserve £ '000	Capital Grants Unapplied £ '000	Total General Reserves £ '000	Total Unusable Reserves £ '000	Total Authority Reserves £ '000	Authority's share of subsidiaries & associates £ '000	Total Group Reserves £ '000
Balance at 31 March 2010	12,840	28,015	9,223	6,900	237	0	4,762	61,977	343,480	405,457	(18,697)	386,760
Surplus/(deficit) on provision of services	8,136		(84,723)					(76,587)	0	(76,587)	(1,010)	(77,597)
Surplus/(deficit) on revaluation of non-current assets								0	(3,529)	(3,529)	0	(3,529)
Actuarial gains/(losses) on pension assets/liabilities								0	71,666	71,666	4,178	75,844
Contribution to unfunded pension benefits								0	935	935	0	935
Other gains/(losses)								0	430	430	650	1,080
Total comprehensive income & expenditure	8,136	0	(84,723)	0	0	0	0	(76,587)	69,502	(7,085)	3,818	(3,267)
Adjustment between group accounts & authority accounts	(9)							(9)	0	(9)	9	0
Net increase/(decrease) before transfers	8,127	0	(84,723)	0	0	0	0	(76,596)	69,502	(7,094)	3,827	(3,267)
Depreciation and impairment of non current assets	37,109		86,900					124,009	(124,009)	0	0	0
Excess of depreciation charged to HRA over the Major Repairs Allowance element of housing subsidy			1,109			2,977		4,086	(4,086)	0	0	0
Capital grants and contributions credited to the Comprehensive Income & Expenditure Account	(23,564)	(79)					1,729	(21,914)	21,914	0	0	0
Revenue expenditure funded from capital by statute	5,116							5,116	(5,116)	0	0	0
Net gain/(loss) on sale of non-current assets	200	(64)	(114)		330			352	(352)	0	0	0
Amount by which finance costs calculated in accordance with the Code are different from the amount of finance costs calculated in accordance with statutory requirements		(77)						(77)	77	0	0	0
Amounts by which pension costs calculated in accordance with the Code are different from the contributions due under the pension scheme regulations	(29,846)	1,380	(2,544)					(31,010)	31,010	0	0	0
Amount by which council tax income included in the Comprehensive Income & Expenditure Account is different from the amount taken to the General Fund in accordance with regulation	(645)							(645)	645	0	0	0
Statutory provision for repayment of debt	(7,288)	51	(384)					(7,621)	7,621	0	0	0
Capital expenditure charged to the General Fund Balance	(134)							(134)	134	0	0	0
Transfer from Capital Receipts Reserve equal to the amount payable into the Housing Capital Receipts Pool	453				(453)			0	0	0	0	0
Transfer (to)/from earmarked reserves required by legislation	23		22			(2,977)		(2,932)	2,932	0	0	0
Adjustments between accounting basis and funding basis under regulations	(18,576)	1,211	84,989	0	(123)	0	1,729	69,230	(69,230)	0	0	0
Net increase/(decrease) before transfers to earmarked reserves	(10,449)	1,211	266	0	(123)	0	1,729	(7,366)	272	(7,094)	3,827	(3,267)
Transfer (to)/from earmarked reserves	9,805	(12,680)	(705)	700			0	(2,880)	2,880	0		0
Increase/(decrease) in year	(644)	(11,469)	(439)	700	(123)	0	1,729	(10,246)	3,152	(7,094)	3,827	(3,267)
Balance at 31 March 2011	12,196	16,546	8,784	7,600	114	0	6,491	51,731	346,632	398,363	(14,870)	383,493

Group Comprehensive Income and Expenditure Statement

2009/10 £ '000		2010/11 £ '000	2010/11 £ '000	2010/11 £ '000
Net expenditure		Expenditure	Income	Net expenditure
	Gross expenditure, gross income and net expenditure of continuing operations			
970	Central Services to the public	15,031	(13,966)	1,065
32,463	Cultural, environmental, regulatory and planning services	68,259	(36,839)	31,420
12,374	Highways, Roads and Transport Services	44,457	(32,605)	11,852
31,510	Education	142,248	(120,650)	21,598
17,941	Children and Families Services	22,363	(3,386)	18,977
48,018	Community Care	69,742	(18,527)	51,215
12,730	Housing Services	196,732	(107,181)	89,551
12,514	Other Services	25,589	(5,986)	19,603
720	Corporate and Democratic Core	729	(64)	665
1,040	Non-distributed Costs	(46,069)	0	(46,069)
20,219	Exceptional items	0	0	0
190,499	Cost of Services	539,081	(339,204)	199,877
	Other Operating Expenditure			
105	Levies payable			105
974	Payments to Housing capital receipts to Government Pool			453
111	(Gain) or loss on disposal of non-current assets			(108)
0	Transfers to Academy schools			15,777
1,190				16,227
	Financing and Investment Income and Expenditure			
11,359	Interest payable on debt, finance leases (lessee), and interest element of PFI unitary charge			11,193
763	Premium on early repayment of debt			11
9,600	Pensions interest costs, net of expected return of scheme assets			10,376
(2,597)	Investment interest income			(1,882)
9,902	Changes in fair value of investment properties			(1,191)
0	(Gain) or loss on disposal of investment properties			21
(1,445)	Rentals received on investment properties			(1,492)
131	Expenses incurred on investment properties			136
27,713				17,172
	Taxation and Non-specific Grant income			
(66,244)	Council Tax			(68,174)
(44,338)	NNDR			(48,353)
(10,234)	RSG			(7,021)
(61,222)	Non-service related capital grants and contributions			(31,991)
(182,038)				(155,539)
37,364	(Surplus) or deficit on provision of services			77,737
(555)	Tax expenses - Corporation tax payable			(140)
35,829	Group (Surplus) or deficit			77,597
	(Surplus) or deficit on revaluation of non current assets			
403				3,529
130,446	Actuarial gains/losses on pension assets/liabilities			(75,844)
(739)	Contribution to unfunded pension benefits			(935)
429	Gains/losses on Collection Fund			(430)
(926)	Group adjustments			(650)
165,442	Total Comprehensive Income & Expenditure			3,267

Group Accounts

Group Balance Sheet

1 st April 2009	31 st March 2010		31 st March 2011	31 st March 2011
Restated £ '000	Restated £ '000		£ '000	£ '000
423,884	407,903	Council dwellings	301,948	
245,667	224,964	Other land and buildings	221,625	
26,286	25,639	Vehicles, plant and equipment	23,307	
134,144	170,659	Infrastructure	180,478	
8360	9,150	Community assets	9,885	
7,399	5,763	Assets under construction	6,179	
845,740	844,078	Property, plant and equipment		743,422
39,023	29,149	Investment property	31,264	
570	669	Intangible assets	636	
14,353	12,375	Assets held for sale (> 1yr)	0	
5,005	5	Long term investments	5	
390	305	Long term debtors	217	
59,341	42,503			32,122
905,081	886,581	Long term assets		775,544
2,100	45,061	Short term investments	45,021	
378	388	Inventories	459	
33,991	31,017	Short term debtors	46,788	
45,135	13,920	Cash and cash equivalents	16,657	
17,447	870	Assets held for sale (< 1 year)	14,442	
99,051	91,256	Current assets		123,367
1,004,132	977,837	Total assets		898,911
(3,729)	(3,815)	Bank Overdraft	(4,496)	
(13,685)	(23,685)	Short term borrowing	(41,525)	
(40,898)	(39,592)	Short term creditors	(50,958)	
(13,146)	(17,919)	Grant receipts in advance	(17,844)	
(125)	(131)	Short term finance lease liabilities	(138)	
(71,583)	(85,142)	Current liabilities		(114,961)
932,549	892,695	Total assets less current liabilities		783,950
(483)	(352)	Long term finance lease liabilities	(215)	
(33,878)	(36,088)	Long term PFI lease liabilities	(35,457)	
(7,039)	(9,849)	Provisions	(12,632)	
(210,485)	(192,935)	Long term borrowing	(192,575)	
(128,462)	(266,711)	Liability relating to defined pension benefit scheme	(159,578)	
(380,347)	(505,935)	Long term liabilities		(400,457)
552,202	386,760	Net Assets		383,493
		<i>Financed by:</i>		
		General reserves		
14,704	12,840	General fund	12,196	
2,583	678	Profit and Loss Account	952	
33,405	34,915	Earmarked reserves	24,146	
8,698	9,223	Housing revenue account	8,784	
219	237	Capital receipts reserve	114	
2,211	4,762	Capital grants unapplied	6,491	
61,820	62,655			52,683
		Unusable reserves		
73,495	68,491	Revaluation reserve	59,264	
(128,462)	(266,711)	Pensions reserve	(159,578)	
544,848	526,678	Capital adjustment account	431,577	
1,626	1,386	Deferred capital receipts	1,148	
2,457	1,324	Financial instruments account	1,401	
(860)	(860)	Collection fund adjustment account	215	
0	(3,000)	Equal pay back pay account	0	
(3,116)	(3,585)	Short term accumulated compensated absences account	(3,630)	
394	382	Trust Funds	413	
490,382	324,105			330,810
552,202	386,760	Total reserves		383,493

Group Cashflow Statement

31 March 2010 £000s		31 March 2011 £000s
(35,046)	Net (surplus) or deficit on the provision of services	(76,323)
176,459	Adjust net surplus or deficit on the provision of services for noncash movements	153,532
(144,240)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(86,116)
<u>(2,827)</u>	Net cash flows from Operating Activities	<u>(8,907)</u>
8,245	Investing Activities	(5,277)
(9,031)	Financing Activities	16,240
<u><u>(3,613)</u></u>	Net increase or decrease in cash and cash equivalents	<u><u>2,056</u></u>
13,718	Cash and cash equivalents at the beginning of the reporting period	10,105
10,105	Cash and cash equivalents at the end of the reporting period	12,161

Notes to the Group Accounts

1. Comprehensive Income and Expenditure Statement

This statement shows the expenditure and income for the group, analysed by service and how it was financed.

The notes to the group Comprehensive Income and Expenditure Statement have been reproduced only where there is a material difference from those in the Reading Borough Council's Comprehensive Income and Expenditure Statement. The main changes from the Council's Comprehensive Income and Expenditure Statement are:

- Inclusion of RTL costs within Highways, Roads and Transportation Services (2010/11: £3.4m, 2009/10: £3.6m)
- Inclusion of REDCo within other services (2010/11: broke even, 2009/10: broke even)
- Inclusion of pensions interest costs and return on assets for RTL (2010/11 net costs of £1m, 2009/10 net cost of £0.6m)
- Inclusion of trust funds managed by the Council, which are not included in the Council's account (net income transferred to reserve in 2010/11 £30,754, net transfer from reserve in 2009/10 £11,635)

The notes to the Comprehensive Income and Expenditure Statement are not materially altered by the inclusion of the subsidiaries in these accounts, therefore the notes provided on pages 32 to 77 still apply with the exception of note 24, page 66. The information set out below supplements the information provided on these pages.

2. Pension Costs

RTL operates two defined benefit pension schemes for employees:

- Employees at 20th October 1986 have been deemed to be employees of RBC for pension purposes and are members of the Local Government superannuation scheme, to which the company contributes in accordance with the Local Government Superannuation regulations.
- Employees who joined the company since 20th October 1986, together with any employees who are eligible for the Local Government scheme who wish to leave that scheme, were eligible to join the Reading Transport Staff Retirement Scheme. This scheme is was closed to new members from April 2010.

RTL also operates a defined contribution pension scheme for the benefit of employees.

The funds are valued every three years by independent qualified actuaries, the rates of contribution payable being determined by the actuaries (the most recent valuation was at 31st March 2010). Pension costs are accounted for on the basis of charging the expected cost of providing pensions over the year during which the company benefits from the employees' services. Variations in the pension cost are spread over the expected service lives on current employees.

No other retirement benefits are provided to RTL employees.

Year ended 3rd October 2009 £ '000		Year ended 3rd October 2010 £ '000
42,354	At beginning of financial year	60,640
705	Current service costs	1,463
2,937	Interest costs	3,077
16,135	Actuarial losses	(4,314)
749	Contributions	443
(2,210)	Benefits paid	(2,335)
(30)	Unfunded pension payments	(31)
<u>60,640</u>	Balance at end of financial year	<u>58,943</u>

Reconciliation to balance sheet

Year ended 3rd October 2009 £ '000		Year ended 3rd October 2010 £ '000
60,183	Present value of funded obligations	58,514
(35,631)	Fair value of plan assets	(38,650)
<u>24,552</u>		<u>19,864</u>
457	Present value of unfunded obligations	429
<u>25,009</u>	Plan deficit	<u>20,293</u>
(5,252)	Related deferred tax asset	(4,058)
<u>19,757</u>	Net liability	<u>16,235</u>
	Analysis of net pension liability:	
7,280	Reading Transport staff retirement scheme	6,336
12,477	Local Government superannuation fund	9,899
<u>19,757</u>		<u>16,235</u>

Amounts recognised in the profit and loss account

Year ended 3rd October 2009 £ '000		Year ended 3rd October 2010 £ '000
	Included under administrative expenses:	
705	Current service costs	1,463
	Included in other finance costs:	
2,937	Interest costs	3,077
(2,323)	Expected return on scheme assets	(2,061)
<u>1,319</u>		<u>2,479</u>

Year ended 3rd October 2009 £ '000		Year ended 3rd October 2010 £ '000
(17,511)	Actuarial gains/(losses) recognised in STRGL	5,512
(24,139)	Cumulative actuarial losses recognised in STRGL	(18,627)
	Analysis of actuarial gains/(losses) recognised in STRGL:	
(7,260)	Reading Transport staff retirement scheme	1,285
(10,251)	Local Government superannuation fund	4,227
<u>(17,511)</u>		<u>5,512</u>

Major categories of plan assets as a percentage of total plan assets

Year ended 3rd October 2009 %		Year ended 3rd October 2010 %
47.61	Equities	40.34
1.48	Gilts	0
42.21	Other bonds	37.87
5.97	Property	8.43
2.73	Cash	5.7
0	Other	7.66

Principal actuarial assumptions

Year ended 3rd October 2009 %		Year ended 3rd October 2010 %
5.1	Discount rates	5.0
	Expected return on plan assets:	
6.6	Equities	6.4
4.1	Gilts	3.9
5.5	Other bonds	5.0
5.4	Property	5.0
5.0	Cash	4.1
4.1	Future salary increases	3.3
3.6	RPI inflation increases	3.3
	CPI inflation increases	2.8
3.0	Future pension increases (pre 1997) *	3.0
3.4	Future pension increases (pre 1997 - 2006) *	3.3
2.9	Future pension increases *	2.5

* applicable to Reading Transport staff retirement scheme only

Balance Sheet

The notes to the group balance sheet are not materially changed by the inclusion of the subsidiaries in these accounts; therefore the notes provided on pages 32 to 77 still apply, with the exception of the following notes:

- Group Debtors (partially replaces note 23)

The intra-group transactions have been removed from sundry debtors in both the subsidiary and council's results. There were no movements on other types of debtors. All of the debtors of the subsidiaries were classed as sundry debtors. The outstanding sundry debtors as at 31st March for the group were:

2008/2009 Group £'000	2009/2010 Group £'000		RBC £'000	RTL £'000	2010 - 2011 REDCO £'000	Trusts £'000	Group £'000
33,991	31,017	Sundry Debtors	45,240	1,548	0	0	46,788
<u>33,991</u>	<u>31,017</u>		<u>45,240</u>	<u>1,548</u>	<u>0</u>	<u>0</u>	<u>46,788</u>

- Group Creditors (partially replaces note 25)

The intra-group transactions have been removed from sundry creditors in both the subsidiaries and the council's results. The outstanding sundry creditors of the group as at 31st March were as follows:

2008/2009 Group £'000	2009/2010 GROUP £'000		RBC £'000	RTL £'000	2010 - 2011 REDCO £'000	Trusts £'000	Group £'000
(40,333)	(39,702)	Sundry Creditors	(46,479)	(4,479)	0	0	(50,958)
<u>(40,333)</u>	<u>(39,702)</u>		<u>(46,479)</u>	<u>(4,479)</u>	<u>0</u>	<u>0</u>	<u>(50,958)</u>

3. Notes to the Cash Flow Statement - Note A

2009/10 £ '000		2010/11 £ '000
(35,046)	Net Surplus or (Deficit) on the Provision of Services	(76,323)
	<u>Adjust net surplus or deficit on the provision of services for non cash movements</u>	
79,704	Depreciation	128,399
126	Amortisation	91
70	Adjustment for movements in fair value of investments classified as Fair Value through Profit & Loss account	40
(602)	Increase/Decrease in Interest Creditors	(845)
(6,428)	Increase/Decrease in Creditors	4,003
1,434	Increase/Decrease in Interest and Dividend Debtors	961
5,952	Increase/Decrease in Debtors	(17,655)
(10)	Increase/Decrease in Inventories	(71)
9,057	Pension Liability	(33,370)
2,341	Contributions to/(from) Provisions	6,368
1,687	Carrying amount of non-current assets sold	(320)
80,000	Carrying amount of short and long term investments sold	60,000
0	Movement in Investment Property Values	(2,717)
2,404	Other non-cash movements	8,698
175,735		153,582
	<u>Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities</u>	
(59,383)	Capital Grants credited to surplus or deficit on the provision of services	(23,643)
(80,000)	Proceeds from the sale of short and long term investments	(60,000)
(4,133)	Proceeds from the sale of property plant and equipment, investment property and intangible assets	(2,523)
(143,516)		(86,166)
(2,827)	Net Cash Flows from Operating Activities	(8,907)

- Note B

2009/10		2010/11
£ '000		£ '000
Operating activities within the cashflow statement include the following cash flows relating to interest		
4,329	Interest Received	3,002
(12,027)	Interest Paid	(11,334)
<u>(7,698)</u>		<u>(8,332)</u>

- Note C

2009/10		2010/11
£ '000		£ '000
(65,092)	Purchase of Property, Plant and Equipment, investment property and intangible assets	(34,990)
(74,996)	Purchase of short and long term investments	(60,000)
0	Other payments for Investing Activities	0
4,761	Proceeds from the sale of property plant and equipment, investment property and intangible assets	2,676
80,000	Proceeds from short-term and long-term investments	60,000
63,572	Other Receipts from Investing Activities	27,037
<u>8,245</u>	Total Cash Flows from Investing Activities	<u>(5,277)</u>

- Note D

2009/10		2010/11
£ '000		£ '000
104,745	Cash receipts of short and long term borrowing	70,230
(2,065)	Billing Authorities - Council Tax and NNDR adjustments	(626)
	Precepting Authorities Only - Appropriation to/from Collection Fund	(645)
429	Adjustment Account	
(110,537)	Repayment of Short-Term and Long-Term Borrowing	(53,898)
0	Other receipts from financing activities	3,426
(1,603)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(2,247)
<u>(9,031)</u>	Total Cash Flows from Financing Activities	<u>16,240</u>

- Note E

As at 31st March 2010 £ '000		As at 31st March 2,011 £ '000	
13,920	Cash and Bank Balances	16,657	
(3,815)	Bank Overdraft	(4,496)	
<u>10,105</u>		<u>12,161</u>	

Glossary

Accounts and Audit Regulations 2011

The secondary legislative framework setting out the requirements for the Statement of Accounts, including the timetable and process for their approval.

Accruals

The basis of the Council's accounts - income and expenditure is accounted for in the financial period in which the goods or services are provided or received (as appropriate), rather than when they are physically paid for in cash.

Acre Road Industrial Estate Limited (ARIEL)

A subsidiary company owned by the Council which was formed to provide industrial starter units at Acre Road.

Amortisation

The reduction in the fair value of an intangible asset by writing down its cost over a period of years.

Assets held for sale

Capital Assets within the Council's estate that it is actively looking to sell.

Balance Sheet

All of the assets, liabilities, balances and reserves of the Council at the end of the financial year.

Best Value Accounting Code of Practice (BVACOP)

The CIPFA code that provides guidance on how the Council's Services should report their accounts. From 2011/12 this has been replaced by the Service Accounting Code of Practice (SERCOP).

Business Improvements District (BID)

A levy raised within an area of the town paid for by an additional charge to town centre businesses in addition to their business rates liabilities, the levy income being managed by Reading UK CIC, as the BID promoter.

Capital

Items of expenditure that the Council expects to benefit from for more than one year, which adds to the value of an asset, or increases the life of that asset.

Cash equivalents

Cash equivalents are investments held by the Council, with a total investment term of three months or less, and that are readily convertible into a known amount of cash without penalty.

Cashflow Statement

A record of the cash inflows and outflows arising from transactions with third parties throughout the year.

CIPFA

The Chartered Institute of Public Finance and Accountancy.

Collection Fund

A separate account maintained to keep the transactions relating to the collection and distribution of NNDR and Council Tax separate to those of the Council's other activities.

Components

Major, separately identifiable parts of a larger asset that either contribute a significant part of the overall value of the asset, or which have a significantly different useful economic life to the host asset.

Comprehensive Income and Expenditure Statement

An annual statement summarising all the Council's transactions over the course of a year.

Contingent Assets

Items that the Council believes it is due to benefit from in the future, but the timing and or amounts involved are uncertain. Disclosure is by way of a note to the accounts

Contingent Liabilities

Liabilities that the Council believes it may be liable for in the future, but the timing or amounts involved are uncertain. Disclosure is by way of a note to the accounts

Corporate Management Team (CMT)

The body of officers with overall responsibility for the day to day leadership, direction and management of the Council.

Council Tax

A form of local taxation, based on historic banded property values, which contributes to the total income of the Council.

Debtor

An individual or company who owed the Council money at the end of the financial year.

Dedicated Schools Grant (DSG)

A ring fenced grant from the Department for Education for the financing of the Schools' budget.

Deferred Capital Receipts

An account that holds the gains recognised on the disposal of fixed assets, for which cash settlement has not yet been received (for example old Council mortgages).

Depreciation

The reduction in the fair value of tangible asset by writing down its cost over a period of years.

Dwelling Stock

The housing estate owned by the Council in the Housing Revenue Account.

Freehold

An asset (usually land or buildings) that the Council owns, as opposed to leases.

FRS

Financial Reporting Standard, a UK Accounting Standard that the Council has followed in the preparation of the Accounts.

General Fund

All of the Council's accounts and activities, apart from the items of Housing covered by the HRA. These costs are met in part by the revenues raised through Council Tax.

General Reserves

Reserves held by the Council that can be used to finance capital or revenue activities.

Group Accounts

The accounts and financial position of the Council and all of its recognised subsidiaries, from which any transactions between members of the group have been removed.

Housing Revenue Account

The separate account relating to the Council's housing Stock, the costs of which are met in part from council tenant rents.

IFRIC

International Financial Reporting Interpretations Committee, an international Accounting Standard that the Council has followed in the preparation of the Accounts.

Impairments

A reduction in the value of an asset below the amount previously recognised on the balance sheet for it.

Intangible assets

A non-monetary asset which has no physical form, for example software licenses.

International Financial Reporting Standards (IFRS)

International Accounting Standards that the Council has followed in the preparation of the accounts.

Inventories

Formerly known as stock; goods the Council either trades in, or which form components of work the Council does to its property on a day to day basis

Investment properties

Properties that the Council owns for rental income or capital appreciation only; these assets provide no service benefits.

Leases

An agreement by which the Council uses assets owned by a third party (leased in) or the Council grants use of one of its assets to a third party. These can vary from short term agreements to terms in excess of one hundred years. All leases have been assessed to see if they should be treated as finance leases (capital) or operating leases (revenue).

Local Government Pension Scheme

The main occupational pension scheme for Local Government Employees; the Council's scheme is administered by the Royal Borough of Windsor and Maidenhead.

Long term borrowing

Borrowing with a maturity period at the year end date of more than 365 days.

Major Repair Allowance (MRA)

An allowance within the housing subsidy system intended to provide for the long term maintenance needs of the Council's (non PFI) housing stock

Major Repairs Reserve (MRR)

A reserve within the housing revenue account that receives the depreciation charges the Council makes on its housing stock which may be used for HRA capital expenditure or to repay HRA debt.

Movement in Reserves Statement

A financial statement within the annual accounts summarising all of the movements between the Council's reserves.

National Non-Domestic Rates

Also known as Business Rates - a businesses NNDR liability is calculated by multiplying the nationally determined multiplier rate by the business's rateable value (subject to various transitional and other reliefs).

Precepting bodies

Bodies that can put in a demand against the Collection Fund. These bodies are: Reading Borough Council, The Royal Berkshire Fire and Rescue Service and Thames Valley Police Authority.

Private Finance Initiative (PFI)

A means of acquiring services and assets through the use of an external company to whom performance risk is transferred. Contract lengths are typically 20-40 years, and involve some capital investment in the early contract years with regular performance related payments to the company, that may be split between repayment of the principal sum relating to the lease of assets, an element for interest and a service or management charge.

Property, plant and equipment

The non-current assets (or fixed assets) held by the Council.

Provisions

Sums identified as being required to meet known future liabilities whose timing is uncertain.

Queens Road Car park Limited (QRCL)

A subsidiary company owned by the Council which was formed to build a multi-storey carpark on Queens Road.

Reading Economic Development Company Limited (REDCo)

The holding company for ARIEL and QRCP.

Reading Transport Limited (RTL)

A subsidiary company owned by the Council formed to meet the requirement of the Transport Act. It provides bus services in the greater Reading area.

Reserves

Balances recognized by the Council, and that back up the assets and liabilities in the balance sheet. These reserves are in turn split between general reserves and unusable reserves.

Revaluation Gains

An increase in the value of an asset upon revaluation, rather than upon disposal. For investment properties, these gains are recognised in the Comprehensive Income and Expenditure Statement as being a return on the investment.

Revenue

The day to day items of income and expenditure received and incurred by the Council.

Revenue expenditure funded from capital under statute (REFCUS)

Capital expenditure on assets not owned by the Council, for example making disabled access adaptations to a privately owned home.

Social Housing Adjustment factor

A multiplier applied to the value of the Council's dwelling stock to reflect that they are tenanted properties, rather than being available with vacant possession.

SORP

The Statement of Recommended Practice, superseded in 2010/11 by the Code of Practice on Local Authority Accounting.

Statement of Accounting Policies

The rules and practices adopted by the Council that determine how transactions and events are shown or costed.

Teacher Pension Scheme

The main occupational pension scheme for Teachers.

The Code of Practice on Local Authority Accounting in the United Kingdom

Produced by CIPFA, this document specifies the principles and practices of accounting required to give a true and fair view of the financial position and transactions of the Council.

UK GAAP (Generally Accepted Accounting Practice)

The overall body of standards and regulations that prior to 2010/11 guided the determination of how the Council's accounts were prepared (largely superseded by the adoption of IFRS).

Unusable Reserves

Reserves held by the Council in regards to accounting treatments that the Council has had to follow as a result of the Code, and its predecessor document the SORP.

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